

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
SAIPAN, TINIAN, ROTA, & NORTHERN ISLANDS**



---

**COMMONWEALTH REGISTER  
VOLUME 27  
NUMBER 05**

**JUNE 20, 2005**

---

# COMMONWEALTH REGISTER

VOLUME 27  
NUMBER 05  
JUNE 20, 2005

## TABLE OF CONTENTS

### EMERGENCY DECLARATION:

Declaration of State of Emergency: Commonwealth Utilities Corporation Lack of Power May 2005 Office of the Governor:.....	24533
--	-------

### EMERGENCY REGULATIONS:

Notice and Certification of adoption of Emergency Amendments to Immigration Regulations §§706K, 706P, AND 707 Office of the Attorney General/Division of Immigrations.....	24534
--	-------

### PROPOSED RULES AND REGULATIONS:

Public Notice of Proposed Amendments to Rules Requiring Annual Audited Financial Reports Department of Commerce/Office of the Insurance Commissioner.....	24537
Public Notice of Proposed Amendments to the Rules and Regulations of the Development Corporation Division of the Commonwealth Development Authority Commonwealth Development Authority.....	24548
Public Notice of Proposed Rules and Regulations of the Department of Finance Government Deposit Safety Act Department of Finance.....	24591
Notice of Proposed Rules and Regulations Governing Medical Malpractice Coverage for Physicians Practicing at Department of Public Health Facilities Department of Public Health.....	24600

# COMMONWEALTH REGISTER

VOLUME 27  
NUMBER 05  
JUNE 20, 2005

## TABLE OF CONTENTS

Proposed Amendments to Board of Education Regulations Regarding Teacher Certification, Course Requirements for Promotions and Graduation and Repeal of Standards and Benchmarks Regulations Public School System.....	24615
--	-------

### NOTICE AND CERTIFICATION ON ADOPTION OF REGULATIONS:

Notice and Certificate of Adoption of Regulations of the CNMI Board of Parole Board of Parole.....	24626
---	-------

Notice and Certification of Adoption of Amended Rules and Regulations for Real Property Appraisers Board of Professional Licensing.....	24627
---	-------

### LEGAL OPINIONS:

RE: Ownership of Outer Cove Marina Office of the Attorney General Legal Opinion No. 05-08.....	24631
---	-------

### PUBLIC NOTICE:

RE: Distribution of Commonwealth Register Office of the Attorney General .....	24633
---	-------



## COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

**Juan N. Babauta**  
Governor

**Diego T. Benavente**  
Lieutenant Governor

Declaration of State of Emergency:  
Commonwealth Utilities Corporation  
Lack of power May 2005

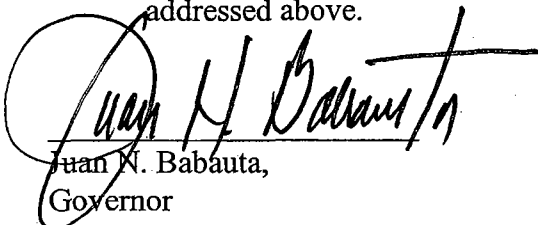
I, Juan N. Babauta, by the authority vested in me as Governor of the Commonwealth of the Northern Mariana Islands, and being fully advised in the premises, hereby declare a state of disaster emergency for the Commonwealth of the Northern Mariana Islands, with respect to Commonwealth Utilities Corporation ("CUC") and its inability to provide service, pursuant to the CNMI Constitution, N.M.I. Const. art. III, § 10, and the CNMI Local Disaster Relief Act, 3 CMC § 5101, *et seq.*

I find that CUC will be unable to pay for its fuel oil supplies within days; its generation levels are already reduced to almost zero reserves. Without electricity the CUC water and wastewater pumping systems will fail. These conditions present an extreme, immediate and imminent emergency.

I find that this Declaration is necessary to insure the continued provision of power to critical CNMI public health and public safety facilities, the continued provision of electricity to our schools, homes, and work places, and the continued operation of our water and wastewater systems. This Declaration is to protect the health and safety of our children, our senior citizens, businesses and all other CNMI residents and visitors.

Therefore, I hereby invoke my Constitutional authority to take all necessary measures, including but not limited to:

1. Assume full control of the Commonwealth Utilities Corporation;
2. Suspend all regulatory statute provisions and regulations applicable to the CUC, including procurement regulations.
3. Suspend the CUC Board of Directors' power, authority and/or responsibility during the period of this emergency, except as specifically stated in writing by me.
4. Reprogram all necessary money to provide CUC the funds to address the conditions addressed above.

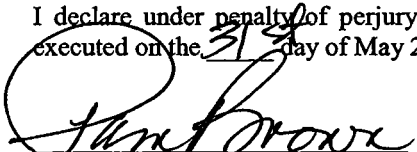
  
Juan N. Babauta,  
Governor

Dated this 19<sup>th</sup> day of May, 2005

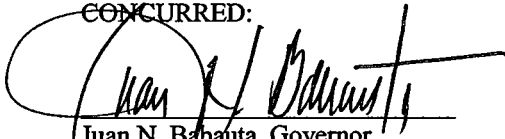
**NOTICE AND CERTIFICATION OF ADOPTION OF  
EMERGENCY IMMIGRATION REGULATIONS**

I, Pamela Brown, the Attorney General of the Commonwealth of the Northern Mariana Islands, which is promulgating these emergency immigration regulations by signature below hereby: (i) certify that as published therein, such regulations are true, correct and complete; (ii) direct that this Notice and Certification of Adoption be published in the next Commonwealth Register, and (iii) direct that said regulations take effect immediately pursuant to 1 CMC §9104(b).

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on the 31<sup>st</sup> day of May 2005, at Saipan, Commonwealth of the Northern Mariana Islands.

  
Pamela Brown, Attorney General

CONCURRED:

  
Juan N. Babauta, Governor

Date: 5/31/05

## EMERGENCY AMENDMENTS TO IMMIGRATION REGULATIONS §§706K, 706P, AND 707

Pursuant to 1 CMC §9104(b), the Attorney General finds that it is in the public interest to amend Immigration Regulations §§706K, 706P and 707 to require that all non-resident workers entering the Commonwealth of the Northern Mariana Islands to work in establishments licensed to serve alcohol be at least twenty-one (21) years of age. Specifically, the Attorney General finds that the employment of non-resident workers under the age of 21 in alcohol establishments has created problems for both criminal and immigration enforcement authorities, has led to inexperienced workers entering the CNMI, and is not consistent with the efficient enforcement of the liquor laws.

The Attorney General further finds that the current Immigration Regulation §706P is not sufficiently defined as falling outside of the Non-resident Workers Act and is therefore not effective in its present form. The Attorney General finds that it is in the public interest to amend the section to clearly exclude permit-holders under this section from the Act.

The Attorney General further finds that it is in the public interest that Immigration Regulation §707 be amended to include reference to an "Overseas Employment Certificate" or OEC. An OEC is an official document issued by the Government of the Philippines to workers applying for employment abroad. The Attorney General finds that, in the case of Filipino workers, this certificate can be the best evidence of the worker's identity, employment eligibility, and job category. It is therefore in the interest of efficient permit processing that an OEC be required upon request of the Division of Immigration.

### Immigration Regulation §706K is amended to read:

Nonresident Worker Entry Permit – An alien who is coming temporarily to the CNMI to perform temporary service or labor who has been certified as an eligible nonresident worker by the Department of Labor may be granted an entry permit in accordance with Public Law No. 3-66, except that no alien under the age of twenty-one (21) shall be approved for entry under this section to perform work of any kind in an establishment licensed to serve alcohol.

### Immigration Regulation §706P is amended to read:

Special Circumstances Entry Permit- permits an alien under special circumstances to legally remain and work in the Commonwealth without further authorization under Commonwealth law. A permit holder under this section is exempted from the provisions of the Non-Resident Workers Act (3 CMC §4411 et seq.). This permit shall be subject to annual renewal at the discretion of the Office of the Attorney General. This permit may be revoked upon a finding by the Attorney General that the special circumstances under which the permit was issued no longer exist.

### Immigration Regulation §707 is amended to read:

#### Authorization For Entry Application Procedure.

- A. Applications for Authorization for Entry permits shall be submitted to the Main Office for Immigration. All applications and supporting documents become the property of the Office of the Immigration. Applications shall be processed within seven (7) days of compliance with all applicable requirements. Authorization For Entry permits will be signed only by the Immigration Officer except for Short-Term Business Entry Permits. All documents shall be filled out under penalty of perjury.
- B. Necessary documents for filing:
  1. A completed application form,

2. Certified copy of birth certificate,
  3. Any document deemed by the Immigration Officer to be necessary to substantiate the applicant's entry classification, including, at the discretion of the Attorney General, an Overseas Employment Certificate (OEC) issued by the Government of the Philippines to the applicant.
  4. One and one quarter inch (1-1/4") frontal photograph in either black and white or color.
- C. The application fee shall be deposited with the CNMI Treasurer by filing the necessary documents. The fee is non-refundable. Application may be made by mail. Checks must be made to "Treasurer of the CNMI".
- D. Applications shall not be accepted from aliens present in the Commonwealth whose presence is permitted solely because they have a pending labor, immigration or legal matter. However, once said matter is decided, the alien may apply for an entry permit, renewal or change of status if the alien prevailed in the labor, immigration or legal matter.

**PUBLIC NOTICE**


OFFICE OF THE INSURANCE COMMISSIONER, DEPARTMENT OF COMMERCE

PROPOSED AMENDMENTS TO RULES REQUIRING ANNUAL AUDITED FINANCIAL REPORTS

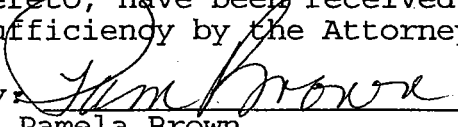
The Secretary of the Department of Commerce hereby notifies the general public of the intention to adopt amendments to Sections 2, 4, 5 and 9 of the Rules and Regulations Requiring Annual Audited Financial Reports to the Insurance Commissioner. These amended regulations are promulgated pursuant to the authority set forth in 4 CMC Section 7105 and 7112. Specifically these amendments address financial reporting requirements of insurance and bonding companies.

All interested persons may examine the proposed amended regulations and submit written comments to the Secretary of Commerce, Caller Box 10007, Capitol Hill, Saipan MP 96950 or by facsimile at 664-3067 within 30 calendar days following the publication of this notice in the Commonwealth Register.


Dated this 9<sup>th</sup> day of June, 2005, at Saipan, Northern Mariana Islands.

By:   
Andrew Salas  
Secretary, Department of Commerce

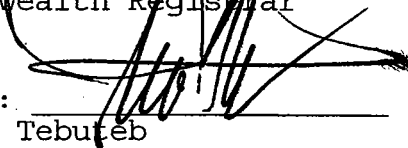
Pursuant to 1 CMC Section 2153, as amended by P.L. 10-50, the proposed regulations for the Department of Commerce, in its capacity of Insurance Commissioner, a copy of which is attached hereto, have been received and approved as to form and legal sufficiency by the Attorney General's Office.

By:   
Pamela Brown  
Attorney General

6/14/05  
Date

Filed by:   
Bernadita Dela Cruz  
Commonwealth Registrar

6/3/05  
Date

Received by:   
Thomas Tebuteb  
Special Assistant for  
Administration

6/13/05  
Date



**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS**

DEPARTMENT OF COMMERCE

Proposed Amendments to Rules and Regulations Requiring Annual Audited Financial Statements For Insurance Commissioner

Citation of Statutory Authority: The proposed amended rules and regulations for the Department of Commerce in its role of Insurance Commissioner are promulgated pursuant to 4 CMC Section 7105 and 7112.

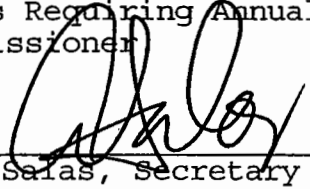
Statement of Goals and Objectives: The proposed amended rules and regulations are intended to address financial reporting of insurance companies to the Insurance Commissioner.

Brief Summary of the Rules: The amended rules and regulations require the annual audited financial statement of insurers to meet Statutory Accounting Principles and require an analysis of the effect an immediate calling of 20% of labor bonds issued by that company would have on the viability of the company to continue in business. The amendments also require information as to market concentration of a company's bonds in the garment industry and with respect to particular business customers. The regulations also require insurers and bonding companies to provide specimen language of bonds and insurance policies to the Insurance Commissioner.

For Further Information: Secretary of the Department of Commerce, Caller Box 10007, Capitol Hill, Saipan MP 96950, telephone: 664-3001, fax: 664-3067.

Citation of Related and/or Affected Statutes, Regulations and Orders:

4 CMC Section 7105 and 7112, Sections 2, 4, 5 and 9 of the Rules and Regulations Requiring Annual Audited Financial Reports to the Insurance Commissioner

Submitted By:  \_\_\_\_\_  
Andrew Salas, Secretary Date  
Department of Commerce

6/9/05

## NOTISIAN PUPBLIKU

OFISINAN I KOMISINAN I INSURANCE, DIPÁTTAMENTON I COMMERCE

MAN MA PROPONE NA AMENDASION PARA I AREKLAMENTO SIHA NA MA NISISITA I RIPOT SALÁPE SIHA AN MA INA (AUDIT) KADA SÁKKAN

I Sekretáron i Dipáttamenton i Commerce ha notifiká i pupbliku henerát pot i intension na para u ma adopta i amendasion siha para Seksiona 2, 4, 5 yan 9 gi Areklamento yan Regulasion siha Na Ma Nisisita i Ripot Salápe siha an ma Ina (Audit) Kada Sákkan para i Komisanan i Insurance. Este man ma amenda na regulasion man ma establese sigun i aturidát ni ma mensiona gi 4 CMC Seksiona 7105 yan 7112. Espisifikátmente este na amendasion a infotma pot i nisisidát ripot salápe' gi insurance yan bonding na kompania siha.

Todu i man enteresao na petsona siña ma ina i man ma propone na amendasion i regulasion siha ya u ma entrega halom tinige' opinion guatto i Sekretáron i Commerce, gi Caller Box 10007, gi Capitol Hill, giya Saipan MP 96950 pat facsimile gi 664-3067 gi halom trenta (30) dias despues di ma pupblika este na notisia gi Rehistran i Commonwealth.

Ma Fecha este mina 9<sup>th</sup> na ha'áne gi June, 2005 giya Saipan, I Sankattan Siha Na Islas Marianas.

Ginen as:

  
Andrew Salas

Sekretáro, Dipáttamenton i Commerce

Sigun i lai 1 CMC Seksiona 2153, ni inamenda nu i Lai Pupbliku 10-50, i man ma propone na regulasion siha para i Dipáttamenton i Commerce, gi kapasidát-ña i Komisanan i Insurance, i kopia ni che'che'ton, esta man ma risibe yan aprueba pot para u fotma yan suficiente ligát ginen i Ofisinan i Abugao Henerát.

Ginen as:

Pamela Brown  
Abugao Henerát

Fecha

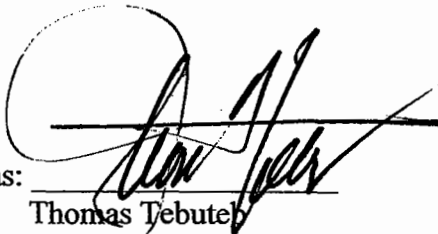
Pine'lo as:

  
Bernadita B. Dela Cruz  
Rehistran i Commonwealth

Fecha

6/3/05

Ma Risibe' as:



Thomas Tebutel  
Especiât Na Ayudânte  
Para i Atministrasion

6/13/05

Fecha

# COMMONWEALTH I SANKATTAN SIHA NA ISLAS MARIANAS

## DIPÁTTAMENTON I COMMERCE

MAN MA PROPONE NA AMENDASION PARA I AREKLAMENTO SIHA NA MA NISISITA I RIPOT SALÁPE SIHA AN MA INA (AUDIT) KADA SÁKKAN

**Annok i Aturidát i Lai:** I man ma propone ni man ma amenda na areklamento yan regulasion siha para i Dipáttamenton i Commerce gi chi'cho-ña i Komisinan i Insurance man ma establese sigun i lai 4 CMC Seksiona 7105 yan 7112.

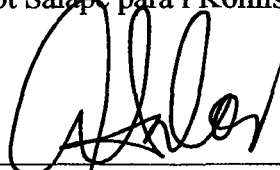
**Mensáhen i Finiho yan Diniseha:** I man ma propone ni man ma amenda na areklamenton yan regulasion siha man ma intensiona para u infotma i ripot salápe gi kompanian insurance para i Komisinan i Insurance.

**Kada'da' Na Sumaria pot i Areklamento siha:** I man ma amenda na areklamento yan regulasion siha ginagagao i ripot finansiát na u ma ina (audit) i salape' kada sakkan ginen i man ma apápási na insurance pot para u kinonfotma i Statutory Accounting Principles ya ginagagao na u ma analisa ya u efektibu ensigidas i bente pot sientu (20%) na bonds ni ma probeniyi i kompania anai siña más kapás para u kontinua gi bisnis. I amendasion lakkue ginagagao más infotmasion gi metkao siha pot i bonds kompania gi industriyan magágu sigun gi patikulat na bisnis kometsio siha. I regulasion siha lakkue ginagagao na i man man insurance na kompanian bonding siha na u probeniyi i Komisinan Insurance nu i lengguáhen i bonding yan areklamenton Insurance.

**Para Más Infotmasion Ágang:** I Sekretáron i Dipáttamenton i Commerce, gi Caller Box 1007, gi Capitol Hill, giya Saipan MP 96950, gi numirun tilifon: 664-3001, pat fax gi 664-3067.

**Annok i man Achule' yan/pat Inafekta na Lai siha, Regulasion yan Otden siha:** 4 CMC Seksiona 7105 yan 7112, Seksiona 2, 4, 5, yan 9 gi i Areklamento yan Regulasion siha Na Ma Nisisista i Ripot Salápe para i Komisinan i Insurance an ma Ina (Audit) Kada Sákkan.

Nina halom:

  
Andrew Salas, Sekretáron  
Dipáttamenton i Commerce

  
Fecha

**ARONGORONGOL TOULAP**  
**BWULASIYOOL INSURANCE COMMISSIONER, DEPATTAMENTOOL**  
**COMMERCE**  
**POMWOL LLIWEL KKAAL NGALI ALLEGH KKA EBWE YAAYA NGALI ANNUAL**  
**AUDITED FINANCIAL REPORTS**

Sekkeretoriyol Depattamentool Commerce ekke arongaar toulapeer aramas reel aghiyeghiir igha rebwe fillóoy lliwel kkaal ngáli Tálil 2, 4, 5 me 9 llól Allégh kkaal me Ammwelil iye ebwe seláti ngáli Annual Audited Financial Reports ngáli Insurance Commissioner. Lliwelil allégh kkaal nge ebwe akkatééló sáangi bwángil 4 CMC Tálil 7105 me 7112. Schééschéél lliwel kkaal ebwe bwáari financial report iye ebwe mweiti ngáli insurance bonding companies.

Schóókka eyoor mángamángiir nge emmwel rebwe amweri pomwol allégh kka e lliwel me ischilong mángemáng reel Sekkeretoriyool Commerce, Caller Box 10007, Capitol Hill, Seipél MP 96950 me ngáre facsimile reel 664-3067 llól eliigh (30) ráálil sangi yaal arongowow ammataf yeel mellól Commonwealth Register.

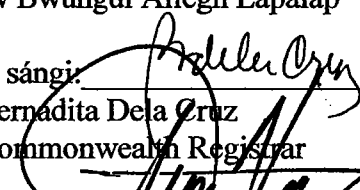
Ráallil ye 9<sup>th</sup> llól Jun, 2005 me Seipél, Téél falúwasch Marianas

Sáangi:   
Andrew Salas  
Samwool, Depattamentool Commerce

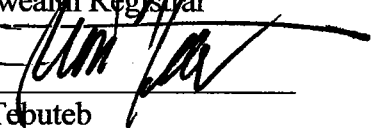
Sáangi allégh ye 1 CMC Tálil 2153, iye aa ssiwel mereel P.L. 10-50, pomwol allégh kkaal ngáli Depattamentool Commerce, sáangi bwángil Insurance Commissioner, tilighial iye e appasch ighila, iye raa bwughil me allégheló mereel Sów Bwungúl Allégh Lapalap.

Sáangi: \_\_\_\_\_  
Pamela Brown  
Sów Bwungúl Allégh Lapalap

\_\_\_\_\_  
Rál

Ammwel sáangi:   
Bernadita Dela Cruz  
Commonwealth Registrar

6/3/05  
\_\_\_\_\_  
Rál

Mwir sáangi   
Thomas Teputeb  
Sów alillisil Sów Lemelem

6/13/05  
\_\_\_\_\_  
Rál

**COMMONWEALTH TÉEL FALÚW KKA FALÚWASCH EFÁNG MARIANAS**  
**DEPATTAMENTOOL COMMERCE**

Pomwol Lliwel kkaal reel Allégh me Ammwel kkaal iye ebwe ayoora Annual Audited Financial statements ngáli Insurance Commissioner

**Akkatéel bwángil:** Pomwol lliwelil allégh ngáli Depattamentool Commerce llól bwángil Insurance Commissioner iye aa akkatéeló bwelle reel 4 CMC Tálil 7105 me 7112.

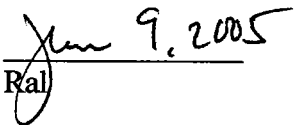
Aweweel kkapasal allégh: Pomwol allégh kka aa ssiwelló nge re mángi bwe rebwe bwáari kkapasal financial Insurance companies ngáli Insurance Commissioner.

**Aweweel pomwol lliwel:** Allégh kka aa ssiwelló nge e tittingór kkapasal annual financial reel insurers igha ebwe toori statutory Accounting Principles me aweeweel tittingór reel 20% ngáli labor bonds ye tooto mereel compania iye emmwel bwe compania ebwe sóbweey yaal business. Lliwel yeel nge ebwal tittingór ammatafal compania bwelle alongal market mellól garment industry fengál me business customers. Allégh yeel nge ebwal seliti ngáli insurers me bonding companies reel rebwe ayoora alongal tappal aweewe me alúghúlúghúl insurance ngáli Insurance Commissioner.

**Reel ammataf :** Samwoolul Commerce, Caller Box 10007, Capitol Hill, Seipél MP 96950, tilifoon: 664-3001, fax: 664-3067.

**Akkatéel bwángil akkááy allégh:** Allégh kkaal me akkúléal: 4 CMC Tálil 7105 , 7112 Tálil kka 2, 4, 5 me 9, ngáli Allégh kkaal iye ebwe yááyá Annual Audited Financial Reports ngáli Insurance Commissioner.

Isaliyallong:   
Andrew Salas, Samwool  
Depattamentool Commerce

  
Ral

## Amendments to Rules and Regulations Requiring Annual Audited Financial Statements For Insurance Commissioner

Sections 2, 4, 5 and 9 are amended as follows:

### Section 2. PURPOSE AND SCOPE

- (a) Any reference in these regulations or in those of any statute or other regulation to the Insurance Administrator, Insurance Director, or Insurance Commissioner, or like term, shall be deemed to refer to the same officer (hereinafter referred to as "Insurance Commissioner" or "Commissioner") within the Department of Commerce, unless the context clearly indicates otherwise.
- (b) The purposes of these rules are to improve the Office of the Commonwealth Insurance Commissioner's surveillance of the financial condition of insurers by:
- 1) Requiring an annual examination by independent certified public accountants of the financial statements reporting the financial position and the results of operations of insurers.
  - 2) To ensure reserves are allocated for certain risks.

Every insurer, as defined in Section 3, shall be subject to the first rule. Insurers having direct premiums written in the CNMI of less than \$450,000 in any calendar year and less than 50 policyholders or certificate holders of directly written policies at the end of such calendar year shall may be exempt from the rule for such year unless if, upon written request from the insurer, the Commissioner makes a specific finding that compliance is not necessary for the Commissioner to carry out statutory responsibilities), except that insurers Insurers having assumed premiums pursuant to contracts and/or treaties of reinsurance of \$50,000 or more will not be so exempt from the first rule regardless of the amount written in any calendar year.

Foreign or alien insurers filing an audited financial report in another state, pursuant to such other state's requirement of audited financial reports which has been found by the commissioner to be substantially similar to the requirements herein, are may be exempted from this rule if:

- A. A copy of the Audited Financial Report, Report on Significant Deficiencies in Internal Controls, and the Accountant's letter of Qualifications which are filed with such other state and certified by the custodian of the original reports as filed in such other state are filed with the Insurance Commissioner in accordance with the filing dates specified in sections 4, 11, and 12 respectively; and,

- B. A copy of any Notification of Adverse Financial Condition Report filed with such other state is filed with the Commissioner within the time specified in section 10.

This rule shall not prohibit, preclude or in any way limit the ~~commissioner~~ of Insurance **Commissioner** from ordering and/or conducting and/or performing examinations of insurers under the rules and regulations and the practices and procedures of the Office of the Insurance Commissioner.

There is **shall be** no exception to the second rule, the imposition of security deposits on all insurers providing for labor bonds and/or surety on alien laborers.

#### Section 4. FILING AND EXTENSIONS FOR FILING OF ANNUAL AUDITED FINANCIAL REPORTS.

All insurers shall have an annual audit by an independent certified public accountant and shall file an audited financial report with the Commissioner on or before June 1 for the year ended December 31 immediately preceding. The Commissioner may require an insurer to file an audited financial report earlier than June 1 with ninety (90) days advance notice to the insurer.

Extensions of the June 1 filing date may be granted by the Commissioner for thirty-day periods upon **written** showing by the insurer and its independent certified public accountant the reasons for requesting such extension and determined by the Commissioner of good cause for an extension. The request for extension must be submitted in writing not less than ten (10) days prior to the due date in sufficient detail to permit the Commissioner to make an informed decision with respect to the requested extension. **No more than three consecutive thirty-day extensions may be granted. In the event that an insurer is unable to provide the audit report within the time specified, including any extensions thereof, the Insurance Commissioner may cause the audit to be conducted by an independent certified public accountant as selected by the Insurance Commissioner and the costs of such an audit shall be borne by the insurer. Failure of the insurer to produce such records and files as necessary to enable said independent certified public accountant to conduct the audit shall be considered as a willful failure of the insurer to comply with the audit report requirements and the Insurance Commissioner may proceed with appropriate sanctions against the insurer, including but not limited to suspension or revocation of its authority to conduct business.**



## Section 5. CONTENTS OF ANNUAL AUDITED FINANCIAL REPORT.

The Annual Audited Financial Report shall report the financial position of the insurer as of the end of the most recent calendar year and the results of its operations, cash flows and changes in capital and surplus for the year then ended in conformity with statutory accounting practices (otherwise referred to as "SAP accounting") ~~prescribed, or otherwise permitted, by the Department of Insurance of the state of domicile.~~

The Annual Audited Financial Report shall include the following:

- A. Report of independent certified public accountant.
- B. Balance sheet reporting admitted assets, liabilities, capital and surplus.
- C. Statement of operations.
- D. Statement of cash flows.
- E. Statement of changes in capital and surplus (For domestic insurers, the statement of changes in capital and surplus).
- F. Notes to financial statements. These notes shall be those required by the appropriate NAIC Annual Statement Instructions and any other notes required by generally accepted accounting principles and shall also include:
  - (1) A reconciliation of differences, if any, between the audited statutory financial statements and the Annual Statement filed pursuant to 4 CMC Section 7306(o)(1), 7396(d), and 7308(e), respectively, of the Commonwealth Insurance Act with a written description of the nature of those differences.
  - (2) A summary of ownership and relationships of the insurer and all affiliated companies.
- G. The financial statements included in the Audited Financial Report shall be prepared in a form and using language and groupings substantially the same as the relevant sections of the Audited Statement of the insurer filed with the Commissioner, and the financial statement shall be comparative, presenting the amounts as of December 31 of the current year and the amounts as of the immediately preceding December 31. However, in the first year in which an insurer is required to file an audited financial report, the comparative data may be omitted.

## Section 9. SCOPE OF EXAMINATION AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT.

(a) Financial statements furnished pursuant to Section 5 hereof shall be examined by an independent certified public accountant. The

examination of the insurer's financial statements shall be conducted in accordance with generally accepted auditing standards SAP accounting practices and standards and shall comply. Consideration should also be given to such other procedures illustrated as set forth in the Financial Condition Examiner's Handbook promulgated by the National Association of Insurance Commissioners and other guidelines as may be required by the Insurance Commissioner, as the independent certified public account deems necessary.

- (b) The report of the independent certified public account shall also include an analysis of the company's financial standing and give a professional opinion as to the effect an immediate demand upon the company to pay a hypothetical twenty percent (20%) of any outstanding labor bonds issued by that company would have on the viability of the company to continue in business.**
- (c) If the company engages in the business of issuing labor bonds, the report shall identify the percentage of the dollar value of bonds issued by the company for non-resident laborers that are attributable to garment-related industries located in the Commonwealth.**
- (d) If the company engages in the business of issuing labor bonds, the report shall identify the names of the three largest companies or entities for which the company has issued labor bonds.**
- (e) The report shall include, as an appendix, copies containing current specimen language of each of the types of bonds or insurance policies that the company offers within the Commonwealth.**



# COMMONWEALTH DEVELOPMENT AUTHORITY

P.O. BOX 502149, SAIPAN MP 96950  
Tel.: (670) 234-6245/6293/7145/7146 • Fax: (670) 234-7144 or 235-7147  
Email: [administration@cda.gov.mp](mailto:administration@cda.gov.mp) • Website: [www.cda.gov.mp](http://www.cda.gov.mp)



## PUBLIC NOTICE

### NOTICE OF PROPOSED AMENDMENTS TO THE RULES AND REGULATIONS OF THE DEVELOPMENT CORPORATION DIVISION OF THE COMMONWEALTH DEVELOPMENT AUTHORITY

The Commonwealth Development Authority (CDA) of the Commonwealth of the Northern Mariana Islands hereby notifies the general public of its intent to adopt amendments to the Rules and Regulations of its Development Corporation Division (DCD).

Pursuant to 4 CMC §10203(a)(2), 4 CMC §10305(b)(1), and 1 CMC §9104, the CDA Board of Directors proposes to amend the DCD Rules and Regulations which were published in their entirety on January 29, 2002, in the Commonwealth Register, Volume 24, Number 01, and adopted on June 17, 2002, in the Commonwealth Register, Volume 24, Number 6.

The proposed amended DCD Rules and Regulations in their entirety follow this notice and are published herewith. Copies of the proposed amended DCD Rules and Regulations are also available at the CDA, Wakin's Building, Chalan Pale Arnold Road, Saipan MP 96950.

The Executive Director of CDA urges the general public to submit to the CDA any and all written comments and/or recommendations regarding the proposed amended DCD Rules and Regulations. Comments should be sent to: Executive Director, Commonwealth Development Authority, P.O. Box 502149, Saipan, MP 96950, or by email at [administration@cda.gov.mp](mailto:administration@cda.gov.mp). The Executive Director may also be reached at: telephone, 234-6245; facsimile, 234-7144. All comments must be received by the CDA within thirty (30) days from the date this notice is published in the Commonwealth Register.

Dated this 6th day of June, 2005.

Maria Lourdes S. Ada, Executive Director

Received by:

Thomas A. Tebuteb  
Special Assistant for Administration

Date

Filed and  
Recorded by:

Bernie B. Dela Cruz  
Registrar

*Bernie B. Dela Cruz*

6.14.05

Date

Pursuant to 1 CMC §2153 as amended by P.L. 10-50, the amended rules and regulations attached hereto have been reviewed and approved by the CNMI Attorney General's Office.

Dated this June of 14, 2005

By:

Pamela Brown  
Pamela Brown  
Attorney General

*Pamela Brown*  
KEB



# COMMONWEALTH DEVELOPMENT AUTHORITY

P.O. BOX 502149, SAIPAN MP 96950  
Tel.: (670) 234-6245/6293/7145/7146 • Fax: (670) 234-7144 or 235-7147  
Email: [administration@cda.gov.mp](mailto:administration@cda.gov.mp) • Website: [www.cda.gov.mp](http://www.cda.gov.mp)



## NOTISIAN PUBLIKU

### NOTISIAN I MAN MA PROPONE NA AMENDASION PARA I AREKLAMENTO YAN REGULASION SIHA POT I DIBISION INADULANTAN KOPORASION GI ATURIDÁT I INADULANTAN I COMMONWEALTH (CDA)

I Aturidát i Inadulantan i Commonwealth (CDA) gi Commonwealth i Sankattan Siha Na Islas Marianas ha notifiká i publiku henerát pot i intension i ma adopta na amendasion para i Areklamento yan Regulasion siha pot i Dibision i Inadulantan Koporasion.


Sigun i lai 4 CMC Seksiona 10203 (a)(2), 4 CMC Seksiona 10305 (b)(1), yan 1 CMC Seksiona 9104, i Kuetpon i Direktot siha gi Aturidát i Inadulantan i Commonwealth ma propopone para u amenda i Areklamento yan Regulasion siha pot i Dibision i Inadulantan Koporasion ni man ma publiká gi enteramente gi Ineru 29, 2002, gi Registran i Commonwealth, Volume 24, Numiru 01, ya ma adopta gi Junio 17, 2002, gi Registran i Commonwealth, Volume 24, Numiru 6.

I man ma propone ni man ma amenda na Areklamento yan Regulasion siha pot i Dibision i Inadulantan Koporasion gi enteramente u tinatiyi este na notisia ya u ma publiká. Kopian i man ma propone ni man ma amenda na Areklamento yan Regulasion siha pot i Dibision i Inadulantan Koporasion gaige na guaha gi Aturidát i Inadulantan i Commonwealth, gi Wakin's Building, gi Chalan Pále Arnold, giya Saipan MP 96950.

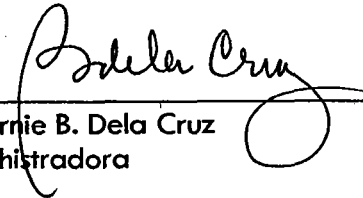
I Executive Director gi Aturidát i Inadulantan i Commonwealth ha so'sohyo' i publiku henerát na u fan na halom opinion yan/pat rekomendasion siha ni tineteka i man ma propone ni man ma amenda na Areklamento yan Regulasion siha pot i Dibision i Inadulantan Koporasion guatto gi Aturidát i Inadulantan i Commonwealth. Debi di u ma na fan halom iopinion siha: Executive Director, gi Aturidát i Inadulantan i Commonwealth, gi P.O. Box 502149, giya Saipan MP 96950, pat email gi [administration@cda.gov.mp](mailto:administration@cda.gov.mp). I Executive Director siña ma ágan gi: numirun tilifon, 234-6245; pat fax gi 234-7144. Todu i opinion siha debi di u ma risibe ni Aturidát i Inadulantan i Commonwealth gi halom trenta (30) dias ginen i ha'ane anai ma publiká este na notisia gi Rehistran i Commonwealth.

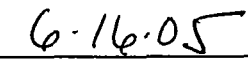
Ma fecha este mina sais na ha'ane gi Junio, 2005.

  
\_\_\_\_\_  
Maria Lourdes S. Ada, Executive Director

Rinisibi as:   
Thomas A. Tebuteb  
Special Assistant for Administration

  
Date

Ma file yan  
Rinekod as:   
Bernie B. Dela Cruz  
Rehistradora

  
Date

Sigun i lai 1 CMC Seksiona 2153 ni inamenda ni Lai Pupbliku 10-50, i man ma amenda na areklamento yan regulasion siha ni man che'che'ton esta man ma ina yan aprueba ginen i Ofisinan i Abugao Henerat i CNMI.

Ma fecha esta mina \_\_\_\_\_ na ha'ane gi \_\_\_\_\_, 2005.

Ginen as: \_\_\_\_\_  
Pamela Brown  
Abugadun Henerat



# COMMONWEALTH DEVELOPMENT AUTHORITY

P.O. BOX 502149, SAIPAN MP 96950  
Tel.: (670) 234-6245/6293/7145/7146 • Fax: (670) 234-7144 or 235-7147  
Email: administration@cda.gov.mp • Website: www.cda.gov.mp



## ARONGOL TOULAP ARONG REEL POMWOL LLIWEL KKAAL NGÁLI ALLÉGH ME AMMWEL KKAAL MELLÓL DEVELOPMENT CORPORATION DIVISION REEL COMMONWEALTH DEVELOPMENT AUTHORITY

Commonwealth Development Authority (CDA) mellol Commonwealth Téél falúwasch Marianas ekki arongaar toulap reel mángemángil igha ebwe fillóoy liwel kkaal reel Ammwelil me Alléghúl Development Corporation Division (DCD).

Sáangi allégh ye 4 CMC táilil 10203 (a)(2), 4 CMC táilil 10305 (b)(1), me 1 CMC táilil 9104 mwíischil CDA rekke pomwoli rebwe ssiweli Ammwelil me Alléghúl DCD ikka raa fasúl atéew ótol Schoow 29, 2002, mellól Commonwealth Register, Volume 24, Numero 01, me fillóól wool Alimate we 17, 2002, mellól Commonwealth Register, Volume 24, Numero 6.

Pomwol ssiwel reel alongal Alléghúl DCD iye e tabweey ammatat yeel me Akkatéél ighila. Tilighial pomwol ssiwelil alléghúl DCD ikka eyoor mereel CDA, Wakin's Building, Chalan Pale Arnold Road, Seipél MP 96950.

Samwoolul CDA nge eke tingór ngaliir toulap bwe rebwe isisilong yaar mángemáng reel CDA me/me ngáre aghiyegh bwelle pomwol ssiwelil Alléghúl DCD kkaal. Mángemáng nge ebwe akkafangeló reel Executive Director, Commonwealth Development Authority, P.O. Box 502149, Seipél, MP 96950, me ngáre email reel administration@cda.gov.mp Executive Director me emmwel ubwe faingi reel: tilifoon, 234-6245; facsimile, 234-7144. Alongal mangemang nge CDA rebwe bwughil lóll eliigh (30) rááilil sáangi rállil yaal akkatééló llól Commonwealth Register.

Rál ye 6th Sééta, 2005.

Maria Lourdes S. Ada, Samwool

Mwir sáangi:

Thomas A. Tebuteb  
Sów Alillisil Sów Lemelem

6/17/05

Date

Aisis sáangi:

Bernie B. Dela Cruz  
Registrar

6/16/05

Date

Sáangi allégh ye 1 CMC táilil 2153 iye aa ssiwel mereel P.L. 10-50, allégh kka aa ssiweló ikka e appasch nge raa takkal amweri fischiy me aléghéléghélo mereel CNMI Bwulasiyool Sów Bwungúl Allégh Lapalap.

Ráilil ye \_\_\_\_\_ llól \_\_\_\_\_, 2005

Sáangi: \_\_\_\_\_

Pamela Brown  
Sów Bwungúl Allégh Lapalap





# COMMONWEALTH DEVELOPMENT AUTHORITY

P.O. BOX 502149, SAIPAN MP 96950  
Tel.: (670) 234-6245/6293/7145/7146 • Fax: (670) 234-7144 or 235-7147  
Email: [administration@cda.gov.mp](mailto:administration@cda.gov.mp) • Website: [www.cda.gov.mp](http://www.cda.gov.mp)



## PROPOSED AMENDMENT TO THE RULES AND REGULATIONS OF THE DEVELOPMENT CORPORATION DIVISION OF THE COMMONWEALTH DEVELOPMENT AUTHORITY

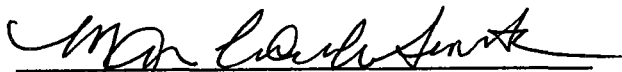
**Statutory Authority:** P.L. 4-49 as amended.

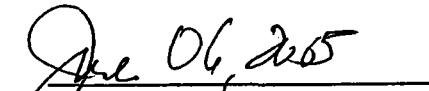
**Goals and Objectives:** The attached amended DCD Rules and Regulations are proposed for the general purpose of refining them to better address the emerging trends, current banking procedures, and the demands of our growing community.

**Brief Summary of the Proposed Amended DCD Rules and Regulations:** The DCD Rules and Regulations are a guideline to aid the Board of Directors in their review and deliberation of loan packages and applications, and as an easy reference for all borrowers and potential applicants.

**Related or Affected Statutes, Regulations and Orders:** P.L. 4-49, as amended and DCD Rules and Regulations in its entirety.

**Contact Person:** Maria Lourdes S. Ada, Executive Director, telephone numbers (670) 234-6245/7145/7146/6293 or facsimile number (670) 234-7144. Electronic mail [administration@cda.gov.mp](mailto:administration@cda.gov.mp).

  
\_\_\_\_\_  
Maria Lourdes S. Ada, Executive Director

  
\_\_\_\_\_  
Date



# COMMONWEALTH DEVELOPMENT AUTHORITY

P.O. BOX 502149, SAIPAN MP 96950  
Tel.: (670) 234-6245/6293/7145/7146 • Fax: (670) 234-7144 or 235-7147  
Email: [administration@cda.gov.mp](mailto:administration@cda.gov.mp) • Website: [www.cda.gov.mp](http://www.cda.gov.mp)



## MAN MA PROPONE NA AMENDASION PARA I AREKLAMENTO YAN REGULASION SIHA POT I DIBISION INADULANTAN KOPORASION GI ATURIDÁT I INADULANTAN I COMMONWEALTH (CDA)

**Aturidát i Lai:** Lai Pupbliku 4-49 ni ma amenda.

**Finiho yan Diniseha:** I man che'che'ton na amendasion i Areklamento yan Regulasion siha pot i Dibision i Inadulantan Koporasion man ma propone pot rason na para u dinanche masangan-na i maolek na manera, presente na areklon i bânko, yan i dinimândan i komunidát.

**Kada'da' Na Sumária Pot i Man Ma Propone Na Amendasion i Areklamento yan Regulasion siha pot i Dibision i Inadulantan Koporasion:** I Areklamento yan Regulasion siha pot i Dibision i Inadulantan Koporasion ginihan i Direktot siha gi Kuetpo an para u ma ina yan malaknos i paketin i inayao yan aplikasion siha, ya refiriensian i man a'ayao yan i aplikánte siha.

**Man Achule' pat Inafekta Na Lai, Regulasion yan Oden siha:** Lai Pupbliku 4-49, ni inamenda yan i Areklamento yan Regulasion siha pot i Dibision i Inadulantan Koporasion gi enteramente.

**Petsona ni para u Ma Ágan:** Maria Lourdes S. Ada, Executive Director, numirun tilifon siha (670) 234-6245/7145/7146/6293 pat numirun facsimile (670) 234-7144. Electronic Mail: [administration@cda.gov.mp](mailto:administration@cda.gov.mp).

  
\_\_\_\_\_  
Maria Lourdes S. Ada, Executive Director

  
\_\_\_\_\_  
Fecha



# COMMONWEALTH DEVELOPMENT AUTHORITY

P.O. BOX 502149, SAIPAN MP 96950  
Tel.: (670) 234-6245/6293/7145/7146 • Fax: (670) 234-7144 or 235-7147  
Email: [administration@cda.gov.mp](mailto:administration@cda.gov.mp) • Website: [www.cda.gov.mp](http://www.cda.gov.mp)



## **POMWEL LLIWEL NGÁLI AMMWEL ME ALLÉGH KKAAL REEL DEVELOPMENT CORPORATION DIVISION NGÁLI COMMONWEALTH DEVELOPMENT AUTHORITY**

**Akkatéél bwángil:** P.L. 4-49, iye aa ssiwel.

**Aweweel kkapasal allégh:** Lliwelil Alléghúl DCD ikka e toowow reer toulap igha re pomwoli bwelle rebwe aghatchúwuló reel ebwe abwáari emerging trends, mwóghútúl current banking, me tumwógholóól yaar mwuschel community.

**Aweweel pomwol allegh:** Alléghúl DCD e fféer yaar Board of Directors alúghúlúgh reel rebwe amweri fishiy, aweweey loan packages me schéel tingór (application), me bwelle igha ebwal mescherágh ngaliir schóoy tingór me potential applicants.

**Akkatéél bwángil akkáaw allégh:** P. L. 4-49 iye aa ssiwelló alongal Alléghúl DCD kkaal.

**Aramas ye ubwe faingi:** Maria Lourdes S. Ada, Samwool, tilifoon (670) 234-6245/7145/7146/6293 me ngáre numerool facsimile (670) 234-7144. Electronic mail [administration@cda.gov.mp](mailto:administration@cda.gov.mp).

Maria Lourdes S. Ada, Samwool

Rál

**COMMONWEALTH DEVELOPMENT AUTHORITY  
DEVELOPMENT CORPORATION DIVISION**

**RULES AND REGULATIONS**

(approved for publication May 5, 2005)

## TABLE OF CONTENTS

CHAPTER	TITLE	PAGE
<b>ONE</b>	<b>Scope, Powers, Authority, Amendments and Effective Date</b>	7
1.1	--Scope	7
1.2	--Powers	7
1.3	--Authority	7
1.4	--Amendments	7
1.5	--Effective Date	7
<b>TWO</b>	<b>General Definitions</b>	7
2.1	--Agriculture	7
2.2	--Aquiculture	7
2.3	--Board of Directors	7
2.4	--Chairman	7
2.5	--Commonwealth	8
2.6	--EDLF	8
2.7	--Executive Director	8
2.8	--Farmer	8
2.9	--Fisherman	8
2.10	--Governor	8
2.11	--Loan	8
2.12	--Loan Applicant	8
2.13	--Loan Guaranty	8
2.14	--Mariculture	8
2.15	--Occupation	8
2.16	--Public Auditor	8
2.17	--Rancher	8
<b>THREE</b>	<b>Board of Directors</b>	8
3.1	--Composition of the Board	8
3.2	--Quorum, Manner of Acting	9
3.3	--Board Leadership	9
3.4	--Chairman	9
3.5	--Vice Chairman	9
3.6	--Resignation	9
3.7	--Removal	9
3.8	--Quarterly Meetings	9
3.9	--Special Meetings	9
3.10	--Open and Closed Meetings	10
3.11	--Action Without Meeting	10
3.12	--Minutes of Meeting	10
3.13	--Compensation	10
3.14	--Disclosure of Conflict	10
3.15	--Contracting Authority	10

<b>FOUR</b>	<b>Duties of the Board</b>	11
4.1	--Oversight Authority	11
4.2	--Loan Decisions and Approval	11
4.3	--Annual Reports	11
4.4	--Operating Budget	11
4.5	--Policies	11
<b>FIVE</b>	<b>Officers</b>	11
5.1	--CDA Officers	11
5.2	--Delegation of Duties	11
<b>SIX</b>	<b>Loan Eligibility and Availability</b>	12
6.1	--Eligibility Policy	12
6.2	--Persons	12
6.3	--Partnerships and Associations	12
6.4	--Corporations	12
6.5	--Farmer, Rancher, Fisherman	12
6.6	--Farm and Ranch Loans	12
6.7	--Fishing Loans	13
6.8	--Commercial Loans	13
6.9	--All Loans Callable	13
6.10	--Percentage of Available Cash, Direct Loan	13
6.11	--Percentage of Available Cash, Loan Guaranty	13
6.12	--Percentage of Available Cash, Exceptional Cases	13
6.13	--Ancillary Services	14
<b>SEVEN</b>	<b>Creditworthiness and Restrictions</b>	14
7.1	--Determination of Creditworthiness	14
7.2	--Requirements and Criteria	14
7.3	--Restrictions	14
7.4	--Additional Restrictions	15
<b>EIGHT</b>	<b>Loan Application Requirements and Review</b>	15
8.1	--Application Review	15
8.2	--Application Documents	15
8.3	--Application Fee	16
8.4	--Incomplete Application	16
8.5	--Loan Approval	16
8.6	--Rejection of Application	16
8.7	--Loan Interest Rates	16
8.8	--Loan Fees	16
8.9	--Loan Closing Service Charge	16
8.10	--Posting and Revision of Fees	17
8.11	--Borrower Records	17

<b>NINE</b>	<b>Construction Loan Requirements</b>	17
9.1	--Construction Requirements	17
9.2	--Construction Loan Disbursement	18
<b>TEN</b>	<b>Loan Guaranty and Participation</b>	18
10.1	--Loan Guaranty	18
10.2	--One Percent Interest Rate	18
10.3	--Loan Guaranty Documents	18
10.4	--Examination of Account	19
10.5	--Loan Participation Program	19
10.6	--Private Projects	19
<b>ELEVEN</b>	<b>Security</b>	19
11.1	--Security Policy	19
11.2	--First Mortgage on Real Estate	19
11.3	--Second Mortgage on Real Estate	20
11.4	--Leasehold Mortgage	20
11.5	--Chattel Mortgage and Inventories	20
11.6	--Additional Security	20
11.7	--Appraisals	20
11.8	--Title Insurance	20
<b>TWELVE</b>	<b>Insurance</b>	21
12.1	--Property & Casualty Insurance ("P&C")	21
12.2	--Surety	21
12.3	--Life Insurance	21
12.4	--P&C, Surety and Life Insurance Companies	21
12.5	--Lapsed Coverage	22
<b>THIRTEEN</b>	<b>Disbursements</b>	22
13.1	--Check Signing Authority	22
13.2	--Disbursement Requirements	22
13.3	--Retained Proceeds	23
13.4	--Incremental Disbursements	23
13.5	--Purchase of Equipment and Materials	23
13.6	--Disbursement Discretion	23
<b>FOURTEEN</b>	<b>Professionals</b>	23
14.1	--Approved Professionals	23
14.2	--Pre-Qualified List	23
14.3	--Requirements	24
<b>FIFTEEN</b>	<b>Feasibility Studies and Technical Assistance</b>	24
15.1	--Feasibility Studies	24
15.2	--Results and Reports	24

15.3	--Technical Assistance	24
<b>SIXTEEN</b>	<b>Loan Servicing</b>	24
16.1	--Tracking System	24
16.2	--Monthly Reports	24
16.3	--Loan Quality Assurance & Control	25
16.4	--Failure to Submit Reports	25
16.5	--Executive Director Meetings and Reports	25
<b>SEVENTEEN</b>	<b>Loan Repayment</b>	26
17.1	--Term of Loan	26
17.2	--Advance Payments and Early Payoff	26
17.3	--No Assumption of Loan	26
17.4	--Death of Borrower	26
17.5	--Monthly Payments	26
17.6	--Past Due Payments	26
17.7	--Late Payment Fees	27
17.8	--Additional Required Payments	27
<b>EIGHTEEN</b>	<b>Loan Revisions and Refinancing</b>	27
18.1	--Loan Revision	27
18.2	--Loan Revision Fee	27
18.3	--Waiver of Interest and Late Fees	27
18.4	--State of Emergency Relief	27
18.5	--Working With Borrowers	27
18.6	--Loan Refinancing	28
18.7	--Loan Refinancing Fee	28
<b>NINETEEN</b>	<b>Loan Collection and Foreclosure</b>	28
19.1	--Monitoring	28
19.2	--Fifteen Day Phone Call	28
19.3	--DCD Thirty Day Notice	28
19.4	--DCD Sixty Day Notice	28
19.5	--Demand Letter	28
19.6	--Notice of Default	28
19.7	--Other Defaults	29
19.8	--Deed in Lieu of Foreclosure	29
19.9	--Complaint to Foreclose	29
19.10	--Acceleration of Loan	29
19.11	--Judgment and Auction	30
19.12	--Multiple Properties	30
19.13	--Certificate of Sale	30
19.14	--Deed	30
19.15	--Controlling Authority	30
19.16	--Loan Revisions	30



19.17	--Settlement	30
19.18	--Attorneys Fees	30
<b>TWENTY</b>	<b>Funds and Accounting</b>	<b>31</b>
20.1	--Accounting Records and Reports	31
20.2	--Accounting System	31
20.3	--Liquid Funds	31
20.4	--Accounts	31
20.5	--Collections	31
20.6	--Loan and Investment Amounts	31
20.7	--Operation Expenses	31
20.8	--Technical Assistance and Studies	32
20.9	--Interest Tracking and Booking	32
<b>TWENTY-ONE</b>	<b>Investigations and Audits</b>	<b>32</b>
21.1	--Investigations and Audits	32
21.2	--Associated Fees for Costs	32
<b>TWENTY-TWO</b>	<b>Conflicts and Confidentiality</b>	<b>32</b>
22.1	--Conflicts of Interest	32
22.2	--Confidentiality	32
22.3	--Preparation of Loan Applications	33
<b>TWENTY-THREE</b>	<b>Violations of Rules and Regulations</b>	<b>33</b>
23.1	--Known Violations	33
23.2	--Discovered Violations	33
23.3	--Additional Information	33
23.4	--Penalties	33
<b>TWENTY-FOUR</b>	<b>Signatures</b>	<b>34</b>
24.1	--DCD Board	34
24.2	--CDA Board	34

## CHAPTER ONE

### SCOPE, POWERS, AUTHORITY, AMENDMENTS AND EFFECTIVE DATE

- 1.1 **Scope.** These rules and regulations govern the administration of the Development Corporation Division (“DCD”) of the Commonwealth Development Authority (“CDA”), subject to any limitations set forth in the CDA Act (*i.e.*, 4 CMC § 10101, *et seq.*). These rules and regulations apply to all the activities in which DCD is engaged and supersede and replace any and all previously issued or amended rules and regulations of DCD.
- 1.2 **Powers.** As a mandated division of CDA, DCD is hereby invested with those powers reasonably necessary and incidental to the fulfillment of its purposes, which purposes are as outlined in 4 CMC § 10102(b). The powers of DCD include, but are not limited to, those powers set forth in 4 CMC § 10203 and are subject only to any limitations set forth in the CDA Act.
- 1.3 **Authority.** These Rules and Regulations are prescribed by virtue of the authority given CDA under 4 CMC § 10203(a)(2) and (a)(30); and are duly published and adopted in accordance with those procedures set forth in the Administrative Procedure Act (1 CMC § 9101, *et seq.*).
- 1.4 **Amendments.** These Rules and Regulations may be amended from time to time upon recommendation of the Board of Directors and adoption by the CDA Board.
- 1.5 **Effective Date.** The effective date of these Rules and Regulations shall be as set forth in 1 CMC § 9105(b).

## CHAPTER TWO

### GENERAL DEFINITIONS

Unless the context otherwise requires, in these Rules and Regulations:

- 2.1 **Agriculture.** Agriculture means the science, art, and business of cultivating the soil producing crops and raising livestock.
- 2.2 **Aquiculture.** Aquiculture means freshwater farming or hydroponics, the cultivation of plants and the production of crops in water rather than in soil.
- 2.3 **Board of Directors.** Board of Directors means the board of directors of DCD.
- 2.4 **Chairman.** Chairman means the chairman of the Board of Directors.

- 2.5 **Commonwealth.** Commonwealth means the Commonwealth of the Northern Mariana Islands.
- 2.6 **EDLF.** EDLF means the Economic Development Loan Fund.
- 2.7 **Executive Director.** Executive Director means the Executive Director of CDA.
- 2.8 **Farmer.** Farmer means a farm operator, owner or worker who cultivates or produces a crop in water or soil as an Occupation.
- 2.9 **Fisherman.** Fisherman means one who fishes as an Occupation.
- 2.10 **Governor.** Governor means the Governor of the Commonwealth.
- 2.11 **Loan.** Loan means the delivery by DCD to, and the receipt by a Loan Applicant of, a sum of money upon agreement by that Loan Applicant to repay it to DCD with interest.
- 2.12 **Loan Applicant.** Loan Applicant means a person, partnership, association, or corporation seeking a loan or guaranty from CDA.
- 2.13 **Loan Guaranty.** Loan Guaranty means a promise by DCD to answer for repayment of a debt or performance of an obligation of an Applicant, if that Applicant is primarily liable to a financial institution other than CDA and fails to make payment or perform the obligation.
- 2.14 **Mariculture.** Mariculture means seawater farming or the cultivation of marine organisms and crops in their natural habitat.
- 2.15 **Occupation.** Occupation means the principal or regular employment or activity in which one engages.
- 2.16 **Public Auditor.** Public Auditor means the Public Auditor of the Commonwealth.
- 2.17 **Rancher.** Rancher means an owner or manager of a ranch who raises livestock as an Occupation.

## CHAPTER THREE

### BOARD OF DIRECTORS

- 3.1 **Composition of the Board.** The affairs of DCD shall be governed and controlled by the Board of Directors, which shall be composed of the seven (7) members of the CDA Board of Directors; members of the Board of Directors shall serve until their terms of office with the CDA Board expire.

- 3.2 **Quorum, Manner of Acting.** Five (5) members of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. The act of the majority of the members present at a meeting at which a quorum is present shall be the act of the Board of Directors. A member who is unable to attend a particular meeting may authorize in writing another member in attendance to cast the absent member's vote upon any item of business properly noticed. This proxy representation may not be used for more than three consecutive meetings and may not be used to establish a quorum.
- 3.3 **Board Leadership.** At the first meeting of each year, the Board of Directors shall elect a Chairman and Vice Chairman from amongst their members as the first item of business at that meeting. A member elected shall serve a one (1) year term or until his or her term as a member of the Board of Directors ends, whichever is less. A member may be elected for successive terms. Any vacancies in leadership created by resignation, removal or death shall be filled by election at the next regular or special meeting called for that purpose.
- 3.4 **Chairman.** The Chairman shall preside over the meetings of the Board of Directors. He or she shall also have such powers and shall perform such duties as may from time to time be specified in resolutions or other directives of the Board of Directors. In the absence of such specifications, he or she shall have the necessary powers and authority and shall perform and discharge the duties normally associated with chairmen of similar public corporations.
- 3.5 **Vice Chairman.** The Vice Chairman shall assume the duties and responsibilities of the Chairman in his or her absence; and shall also have such powers and shall perform such duties as may from time to time be specified in resolutions or other directives of the Board of Directors.
- 3.6 **Resignation.** A member may resign at any time by delivering written notice of his or her resignation to the Chairman of the Board of Directors. Written notice must also be provided the Governor if he or she is also resigning from the CDA Board. The acceptance of such resignation shall not be necessary to make it effective and shall take effect at the time specified therein. Upon resignation, the member shall cease to sit on the Board of Directors and shall not be included in any quorum count.
- 3.7 **Removal.** A member may only be removed before the expiration of his or her term by the Governor and on grounds of gross neglect or dereliction of duty, breach of fiduciary duty, conviction of a felony or mental or physical incapacity. Upon removal, the member shall cease to sit on the Board of Directors and shall not be included in any quorum count.
- 3.8 **Quarterly Meetings.** The Board of Directors shall meet at least once each quarter at a time and place designated by the Chairman. An agenda for and notice of the meeting shall be delivered to each member at least fourteen (14) days prior to the meeting.
- 3.9 **Special Meetings.** The Chairman may convene other or special meetings of the Board of Directors on forty-eight (48) hours written notice to each member, which notice shall include

the proposed agenda and the time and place for the meeting.

- 3.10 Open and Closed Meetings.** All meetings of the Board of Directors shall be open to the public during discussion of policies, procedures, and administrative and other non-confidential matters; and shall be closed to the public during discussion of personnel, financial, credit confidences, or any other privileged information related to or concerning Loan Applicants, projects and other matters of a confidential nature.
- 3.11 Action Without Meeting.** For urgent or in emergency situations, any action required or permitted to be taken at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed and approved by at least five (5) members. Such consent shall have the same force and effect as shall be as binding as if the same had been acted upon or consented to at a meeting of the Board of Directors duly convened and held.
- 3.12 Minutes of Meeting.** The Board of Directors shall cause to be kept written minutes of the proceedings of each of its meetings. The Board of Directors shall designate a secretary to keep its minutes and records who may or may not be a member of the Board of Directors.
- 3.13 Compensation.** The members of the Board of Directors shall be compensated pursuant to 1 CMC § 8247 and may be reimbursed in accordance with the Commonwealth law for any reasonable and necessary expenses incurred in the performance of their duties.
- 3.14 Disclosure of Conflict.** Any member who is directly or indirectly interested in any arrangement, transaction or business matter entered into, proposed or under consideration by the Board of Directors shall, as soon as possible after the relevant facts have come to his or her attention, disclose the nature of the interest to the Board of Directors. Any disclosure shall be recorded in the minutes of the meeting and, except as otherwise provided by a resolution, the conflicted member shall not take part after the disclosure in any deliberation or decision relating thereto, but may be counted as present for the purpose of forming a quorum for any such deliberation or decision. A willful failure to disclose a conflict of interest shall be a breach of duty and cause for immediate removal of the member from the Board of Directors.
- 3.15 Contracting Authority.** The Executive Director and the Chairman, or the Vice Chairman if the Chairman is absent, shall have the contracting authority for all matters pertaining to the operations of DCD, including, but not limited to, the execution of loan documents, guarantees and other necessary agreements, contracts and checks. In the absence of the Chairman and Vice Chairman, the Chairman or Vice Chairman of the CDA Board of Directors is authorized to act in his or her stead. At all times, the contracting officers shall comply with applicable procurement regulations.

## CHAPTER FOUR

### DUTIES OF THE BOARD

- 4.1 **Oversight Authority.** The Board of Directors shall oversee the administration of all Loans and other fund allocations to ensure that there is compliance with all Loan agreement provisions and fulfillment of the statutory purposes of DCD and those duties set forth in these Rules and Regulations.
- 4.2 **Loan Decisions and Approval.** Pursuant to 4 CMC § 10306(a)(4) and delegation by the CDA Board, the Executive Director may review, reject, approve and make all decisions concerning Loan or Loan Guaranty applications of up to \$25,000 per Loan Applicant. A report of all Loans so handled shall be included by the Executive Director in his or her quarterly reports to the Board of Directors. See Section 16.3. All Loan or Loan Guaranty applications of more than \$25,000 per Loan Applicant shall be reviewed by the Executive Director and then shall be submitted to the Board of Directors for all necessary approvals, disapproval or decisions relating thereto.
- 4.3 **Annual Reports.** The Board of Directors shall prepare a report of its activities at the end of each fiscal year and shall submit the same to the CDA Board of Directors for incorporation into the CDA Annual Report to be forwarded to the Governor and Legislature.
- 4.4 **Operating Budget.** The Board of Directors shall prepare an annual operating budget for DCD and shall submit such budget for approval by the CDA Board of Directors.
- 4.5 **Policies.** As it deems it necessary, the Board of Directors may by resolution make policies regarding all DCD matters including, but not limited to, matters discussed in these Rules and Regulations, Loan applications, documents, forms, fees and administration, the form and manner of accepting and making payments; and the manner in which specific documents and notices are served and received by DCD.

## CHAPTER FIVE

### OFFICERS

- 5.1 **CDA Officers.** The Executive Director and Comptroller of CDA shall also serve as the officers of DCD and shall exercise those duties and powers given to them under 4 CMC § 10306 for the benefit of DCD. The Executive Director shall be the officer primarily responsible to oversee, monitor and administer the DCD loans, subject to consultation with the Loan Manager and the DCD Board as directed by these regulations and in accordance with established policy and procedure.
- 5.2 **Delegation of Duties.** The Board of Directors may from time to time delegate to an officer or its officers any of its power or authority given under these Rules and Regulations. Any

officer to whom any powers or authority is so delegated may exercise the same in the same manner and with the same effect as if they had been conferred on him or her directly by these Rules and Regulations.

## CHAPTER SIX

### LOAN ELIGIBILITY AND AVAILABILITY

- 6.1 Eligibility Policy.** It is the policy of DCD that it shall not compete with any private banks or other financial institutions in the funding of private economic projects. It is, therefore, recommended that borrowers first seek financial assistance from established banks and other financial institutions before submitting a Loan application to DCD.
- 6.2 Persons.** Eligible Loan Applicants who are persons must be United States citizens or nationals and must have been domiciled in the Commonwealth for at least two (2) continuous years immediately preceding the submission of their Loan application.
- 6.3 Partnerships and Associations.** Eligible Loan Applicants who are partnerships or associations must be wholly owned by United States citizens or nationals who have been domiciled in the Commonwealth for at least two (2) continuous years immediately preceding the submission of the Loan application.
- 6.4 Corporations.** Eligible Loan Applicants who are corporations: must be organized under the laws of the Commonwealth and at least fifty-one percent (51%) of their capital stock issued, outstanding and entitled to vote must be owned and held by United States citizens or nationals who have been domiciled in the Commonwealth for at least two (2) continuous years immediately preceding the submission of the Loan application; and must distribute profits to its stockholders in direct proportion to the number of shares held by each stockholder.
- 6.5 Farmer, Rancher, Fisherman.** Eligible Loan Applicants who are Farmers, Ranchers or Fishermen must be, by definition and Occupation, Farmers, Ranchers or Fishermen.
- 6.6 Farm and Ranch Loans.** A Farm or Ranch Loan is a Loan that uses funds reserved for farmers, fishermen, agricultural and marine cooperatives in Covenant § 702(c), and that is made for the purpose of: purchasing farm and ranch equipment such as tractors, plows and other attachments for tractors, tillers, hand tools, related shop tools, repair parts, seeds, plants, fertilizers, farm chemicals, planters, livestock and poultry or specialized equipment and fixtures designed solely for the raising of crops, livestock, poultry or egg production, building shelters for farm machinery, livestock or poultry; or providing reasonable, one-time, start-up operating funds. The foregoing is not to be interpreted as an all comprehensive list and is subject to expansion by the Board of Directors. A Farm or Ranch Loan may or may not be made for the purpose of mariculture or aquiculture activities. Over the road vehicles such as trucks and pick-ups may be included in a Farm or Ranch Loan;

however, such vehicles must be used at least sixty percent (60%) of the time (in hours) for actual farming and ranching activities. Sedans and other enclosed motor vehicles, such as extra cab pick-ups, shall not be included.

- 6.7 Fishing Loans.** A Fishing Loan is a Loan that uses funds reserved for farmers, fishermen, agricultural and marine cooperatives in Covenant § 702(c), and that is made for the purpose of: purchasing boats, boat trailers, ships, fishing gear, safety equipment, ship-to-shore radios, cooler boxes and other directly related fishing equipment, or providing reasonable, one-time, start-up operating funds. Fishing loans are limited to commercial fishing ventures, sport fishing does not qualify. Over the road vehicles such as trucks and pick ups may be included in a Fishing Loan; however, such vehicles must be used at least sixty percent (60%) of the time (in hours) for actual fishing activities, such as the launching or dry storage of fishing boats. Sedans and other enclosed motor vehicles, such as extra cab pick-ups, shall not be included.
- 6.8 Commercial Loans.** All Loans that are not considered Farm, Ranch or Fishing Loans are considered Commercial Loans.
- 6.9 All Loans Callable.** The repayment terms for all Loans shall not be more than thirty (30) years and shall be callable every five (5) years, but the repayment terms must be fully amortized over the total period given. Upon the 1<sup>st</sup> five years maturity and for term continuance on the remainder of the given period, the Loan Manager and the Executive Director must determine that there is sufficient cash flow for debt service requirement and that the Loan is not subject to any adverse financial condition before allowing said Loan to continue until again callable five (5) years hence.
- 6.10 Percentage of Available Cash, Direct Loan.** DCD shall not make any direct Loan if, at the time for approval, such Loan would exceed twenty-five percent (25%) of the total uncommitted cash then available to Loan Applicants under the particular category of Loans for which the Loan Applicant applied.
- 6.11 Percentage of Available Cash, Loan Guaranty.** DCD shall not guarantee any bank loan or participate in any Loan Guaranty if, at the time for approval, such Loan Guaranty would exceed twenty-five percent (25%) of total uncommitted cash then available to Loan Applicants under the particular category of Loans for which the Loan Applicant applied.
- 6.12 Percentage of Available Cash, Exceptional Cases.** In exceptional cases meriting special consideration, the limits set forth in Sections 6.10 and 6.11 may be exceeded provided the Loan or Loan Guaranty is of high economic benefit to the Commonwealth (as determined by a statement on economic priorities issued by CDA) and the Loan is fully and sufficiently secured. In such exceptional cases, DCD may enter into a syndicated financial arrangement in an effort to limit the exposure of DCD to only twenty-five percent (25%) of its then uncommitted cash.



- 6.13 **Ancillary Services.** DCD may provide ancillary services to a borrower, in connection with a Loan or other financing activities by DCD, when it would not be practical for such services to be provided by another financing institution.

## CHAPTER SEVEN

### CREDITWORTHINESS AND RESTRICTIONS

- 7.1 **Determination of Creditworthiness.** In all cases, the Board of Directors shall be responsible for determining the creditworthiness of each Loan Applicant.
- 7.2 **Requirements and Criteria.** In making its determination, the Board of Directors must evaluate the Loan application based on the following general credit requirements and credit underwriting criteria:
- (a) The Loan Applicant must be of good financial and moral character;
  - (b) Evidence pertaining to the credit worthiness of the Loan Applicant obtained under the Fair Credit Reporting Act (15 U.S.C. § 1681) or other applicable laws;
  - (c) The Loan Applicant must demonstrate an ability to operate a successful business;
  - (d) The Loan Applicant must be willing to provide DCD with evidence of a reasonable investment of equity in cash or in-kind of not less than twenty percent (20%) of the total project cost to ensure that the Loan Applicant has an appropriate stake in the venture;
  - (e) The Loan Applicant must show that the proposed loan is of sound business and economic potential to the respective community in which it will operate; and
  - (f) The Loan Applicant must show that the past earnings, if any, and future prospects and potential earnings of the business or project indicates the ability to repay the Loan and other fixed debt, if any, out of earnings.
- 7.3 **Restrictions.** No Loan Applicant shall be qualified or granted a Loan if:
- (a) The Loan Applicant was a controlling shareholder or a manager of an association or a corporation that, at any time during the three (3) years immediately preceding the filing of the Loan application and during the period of control or management by the Loan Applicant, had been adjudicated bankrupt, filed for bankruptcy or been placed under receivership;
  - (b) The Loan Applicant is in default of any debt, loan or any financial obligation at the time of filing the Loan application or if the Loan Applicant has a record of defaulting on previous loans or other credit extensions without justification;
  - (c) Within three (3) years of the date of the Loan application, any property of the Loan Applicant was actually foreclosed upon, or taken and sold at foreclosure sale to satisfy any debt owed to a creditor by the Loan Applicant;
  - (d) The Loan proceeds are to be used for a hobby, personal entertainment or personal pleasure; or
  - (e) The Loan is not fully secured by sufficient securities or collateral.

- 7.4 **Additional Restrictions.** In addition to the above restrictions, the Board of Directors shall not make or approve a Loan or Loan Guaranty:
- (a) If funds are otherwise available on reasonable terms from other sources, including but not limited to personal resources, commercial banks, savings and loan associations and credit unions. Evidence that such funds are not available shall be in the form of at least three declination letters from three other sources, each stating that the applicant was denied a loan for reasons other than: (i) an incomplete application, (ii) insufficient security, (iii) insufficient documentation, or (iv) bad credit.
  - (b) If Loan proceeds are to be used for illegal and/or immoral activities;
  - (c) For the purpose of refinancing a debt not connected with the Loan;
  - (d) For the purpose of providing short term financing, except as necessary in connection with medium or long-term assistance by DCD.

## CHAPTER EIGHT

### LOAN APPLICATION REQUIREMENTS AND REVIEW

- 8.1 **Application Review.** Loan applications shall be considered and reviewed only after they are complete. A Loan application shall not be considered complete until all necessary documents, including, but not limited to, security and collateral documents and government permits, have been obtained and received and all applicable fees have been paid
- 8.2 **Application Documents.** For all Loans and the continuance of all Loans, the Loan Manager and the Executive Director shall ensure that the following loan documents, as applicable, are obtained:
- (a) A certification letter from the Loan Manager to the Executive Director that he/she has inspected the individual business establishment and has determined that the business is still in engaged in the same operation mode and that there is no adverse financial conditions preventing recommendation of the new loan, renewal or continuance.
  - (b) Interim and last three years Financial Statements (Income Statement & Balance Sheet) and last three years Audited Financial Statement with supporting schedules for loans over \$250,000.00.
  - (c) Personal Financial Statements for current year of owner or major stockholders and Individual Tax Returns (filed) with all schedules for the last three years.
  - (d) Current year and last two years Business Gross Receipts Tax (BGRT) & last three years Corporate Income Tax Returns (Form 1120CM) with all schedules.
  - (e) Inventory Aging List, Accounts Receivables, Payables Aging Lists, Rent Rolls & Tenant Lists, & Rental/Lease Agreement.
  - (f) Hazard (fire/typhoon & earthquake) & liability insurance & life insurance policy.
  - (g) Most recent filed Business documents (e.g., Business License(s), Articles of Incorporation or Organization, By-Laws, Certificate of Incorporation & Annual Report.
  - (h) Business Plan/Profile.
  - (i) Corporate Resolution to Borrow.
  - (j) Sketch Map of Business property.

(k) Recorded Warranty Deed, Deed of Gift or Certificate of Title & Land Management Approved Survey Property Map.

- 8.3 Application Fee.** DCD may, when the Loan application is made, charge each Loan Applicant an application fee not to exceed \$100.00. The application fee shall be credited to the closing costs if the Loan is made. If the Loan application is not approved, or the borrower cancels the Loan application prior to approval, the deposit fee will not be returned to the Loan Applicant.
- 8.4 Incomplete Application.** A pending Loan application shall be deemed to have been removed from consideration if incomplete and if the Loan Applicant has been notified in writing of such defect and has not corrected the defect within thirty (30) days of such notification.
- 8.5 Loan Approval.** No Loan Applicant shall be deemed to have been granted a Loan unless and until the Executive Director, or his or her designee, so notifies the Loan Applicant in writing and the Loan Applicant indicates his acceptance in writing. Notice by any other DCD employee or member of the Board of Directors, verbally or otherwise, shall be invalid and have no effect and may subject said person to disciplinary action.
- 8.6 Rejection of Application.** The Executive Director and the Chairman are authorized to cancel a conditionally approved Loan if the conditions set out in the approval letter are not fulfilled within ninety (90) days after the receipt of such letter by the Loan Applicant.
- 8.7 Loan Interest Rates.** DCD shall review and from time to time recommend to the CDA Board of Directors the rates of interest to be assessed its borrowers or any particular borrower. A recommended rate may not exceed the rate authorized by law; and in recommending interest rates DCD shall consider the costs of capitalization, its own administrative expenses in relation to its Loans, overall prevailing market rates, and other economic indicators. DCD may also recommend special interest rates for projects and other undertakings which serve particular socio-economic needs, but with due regard for the overall need of DCD to recover its costs.
- 8.8 Loan Fees.** Loan Applicants shall pay all fees necessary or incidental to their Loans. Such fees may include, but are not limited to, recording fees, notary fees, returned check fees, appraisal fees, certified public accounting fees in the event such is required by the Board of Directors and any legal fees incurred by DCD for the drafting of documents necessary for the Loan. In the case of direct Loans and at the request of the Loan Applicant, loan fees may be included in the total Loan amount; in the case of a Loan Guaranty, the Loan Applicant shall be required to remit all Loan Fees to DCD prior to the execution of the Guaranty agreement.
- 8.9 Loan Closing Service Charge.** In addition to any Loan Fees, DCD shall assess each Loan Applicant a processing service charge equal to one-half (1/2) of one percent (1%) of the total amount of the Loan plus all applicable legal fees but not less than \$125.00. In the case of

direct Loans and at the request of the Loan Applicant, the service charge may be included in the total Loan amount; in the case of a Loan Guaranty, the Loan Applicant shall be required to remit the service charge to DCD prior to the execution of the Guaranty agreement.

- 8.10 Posting and Revision of Fees.** All fees and charges may be reviewed and revised by the Board of Directors. The fees set forth in these Rules and Regulations shall continue in force and effect until reviewed and revised by the Board of Directors. Publication of any revised fees or new fees shall be by posting a schedule of revised fees in the offices of CDA. No amendment of these Rules and Regulations or further publication in the CNMI Register of any revised or new fees shall be required.
- 8.11 Borrower Records.** The Board of Directors may, as deemed necessary, require its borrowers to keep records and accounts in accordance with sound and generally accepted business practices, and may require them to furnish necessary information regarding their business operations and accounts. DCD retains the right to inspect its borrowers' finances, as well their operations, records, and books of accounts. The Board of Directors is further authorized to retain an independent accounting firm to perform the compilation and preparation of financial reports of a borrower, with the costs incurred being borne by the borrower.

## CHAPTER NINE

### CONSTRUCTION LOAN REQUIREMENTS

- 9.1 Construction Requirements.** In addition to all other submission requirements, a Loan Applicant seeking to construct a building with Loan proceeds is required to submit the following documents:
- (a) Complete plans and specifications of the building or improvements to be constructed approved by a certified professional engineer;
  - (b) A schematic drawing of the building and its proposed location;
  - (c) A certification from the Commonwealth Utility Corporation that adequate water service and electricity are available on the premise where the project will be situated;
  - (d) A certification from other appropriate government agencies that the proposed project will not have a negative impact to the existing community and environment including the effect of any applicable zoning laws;
  - (e) A signed copy of the construction contract between the builder and the owner showing, among other things, that DCD is not subject to any liability before, during or after construction is completed;
  - (f) An original copy of the performance and payment bond covering the total amount contracted;
  - (g) An original copy of the workmen's compensation insurance policy;
  - (h) A signed copy of the construction management contract between the construction manager and the owner. The manager must be licensed to do business in the Commonwealth

and must possess a thorough knowledge in construction management. A provision in the construction management contract should provide that the manager must ensure that the project is thoroughly inspected by qualified inspectors and conforms to approved plans and specifications. In addition, the contract shall contain a provision imposing personal liability on the manager for non-performance under the management contract;

- (i) Cost breakdown for description of materials; and
- (j) Builder's Risk Insurance should be obtained with CDA as loss payee.

- 9.2 **Construction Loan Disbursement.** Disbursements will be done based on stages of construction completion pursuant to a request for payment, certified by the contractor, borrower and the bonding company, with a certification letter from the construction manager as to the status of project. Of the amount requested, ten percent (10%) will be retained until completion of the project and expiration of any mechanic's lien period. Upon completion of the project, borrower shall submit: a completion certification, a release of mechanic's lien, an affidavit that all liens have been paid, a contractor's warranty, a certificate of occupancy, an insurance policy on building with CDA as loss payee, and proper government agency approval of any septic tank, if applicable.

## CHAPTER TEN

### LOAN GUARANTY AND PARTICIPATION

- 10.1 **Loan Guaranty.** DCD may guarantee up to ninety percent (90%) of the principal amount of a loan extended to a qualified Loan Applicant by a lender other than DCD. DCD must approve of the lender's administration and default policies before agreeing to guarantee any loan. DCD shall set aside as a reserve not less than twenty-five percent (25%) of the amount of a guaranteed loan. A Loan Guaranty must meet and satisfy the same criteria as a direct Loan including, but not limited to, the disbursement requirements of Section 13.2 and the requirements and restrictions of Chapter 7, exclusive of 7.4(a).
- 10.2 **One Percent Interest Rate.** The lender shall impose a one percent (1%) per annum interest rate, which shall be collected by the lender for DCD. This interest rate shall be in addition to the interest rate to be charged by the lender under the terms and provisions of its loan, and shall be assessed and collected first, before the interest rate to be charged by the lender. The lender shall collect and remit the one percent (1%) per annum interest rate to DCD on a quarterly basis.
- 10.3 **Loan Guaranty Documents.** The Board of Directors shall approve and adopt a standard Guaranty agreement for use with all participating lenders. The Guaranty agreement shall include terms and conditions deemed reasonable and necessary for the protection and purposes of DCD including, but not limited to: (a) a maximum term of five (5) years; (b) language prohibiting amendments or addendums to a CDA Guaranty; (c) language prohibiting the subordination of any of CDA's rights under its guaranty; and (d) with any 90% guaranty, language requiring the lender to complete the foreclosure process before

calling the guaranty.

- 10.4 Examination of Account.** Upon its request and at all reasonable times, DCD shall be entitled to examine and audit the borrower's account with lender and copies of any security instruments or loan documents held by lender which relate to disbursements or advances made, or to be made, under the Loan Guaranty.
- 10.5 Loan Participation Program.** The Board of Directors may jointly participate with banks or other financial institutions in financing a loan to an eligible Loan Applicant. The terms and conditions of the financial participation must be approved by the Board of Directors. DCD and the bank or lending institution shall share the collateral interest on any security for the loan in direct proportion to their loan exposure. The period of repayment may not be more than the period authorized by these Rules and Regulations.
- 10.6 Private Projects.** The Board of Directors may elect to participate in an ongoing or new private sector project or undertaking to further the purpose of DCD. In determining whether or not to participate, the following shall be considered: (a) whether there are any other private sector lending institutions in the Commonwealth which may participate; (b) to what extent DCD is committing its financial and technical resources for the particular project; (c) if the project is new to the Commonwealth, or an island in the Commonwealth, would such participation protect the future participation of Commonwealth citizens; and (d) is it in the best interest of the Commonwealth for DCD to participate. If a determination is made to participate, the Board of Directors shall ensure that DCD's interests are fully secured and that the total amount of funding made available for any given private project is determined solely by the Board of Directors.

## CHAPTER ELEVEN

### SECURITY

- 11.1 Security Policy.** DCD shall secure its Loans and Loan Guaranties in accordance with sound lending practices, provided that in doing so, DCD shall have due regard for its purposes to promote economic development in the Commonwealth.
- 11.2 First Mortgage on Real Estate.** Wherever possible, all Loans shall be secured by a fee-simple, first mortgage or deed of trust interest in real estate and improvements. First position of any mortgage shall be proven by the submission of a preliminary title report (PTR) from a CNMI licensed title insurance company. The allowable Loan to be secured by any fee simple real estate first mortgage on unimproved bare land shall not exceed fifty percent (50%) of the appraised value of the land. The allowable Loan to be secured by any fee simple real estate first mortgage on improved land shall not exceed sixty percent (60%) of the appraised value of the land, including improvements and proposed improvements.

- 11.3 Second Mortgage on Real Estate.** Secondary mortgages are discouraged, but may be allowed if a Loan application has a strong economic feasibility and potential for success, the Loan Applicant has a good credit rating and excellent repayment ability, and the total outstanding principal debt of the holder of the first security interest and the proposed second mortgage shall not exceed more than fifty percent (30%) of the appraised value of the land for unimproved bare land or sixty percent (40%) of the appraised value of the land for improved land and proposed improvements. Third mortgages shall not be accepted.
- 11.4 Leasehold Mortgage.** The total loan allowable on the first leasehold mortgage interest given as security shall not exceed fifty percent (50%) of the appraised leasehold value (existing as well as proposed leasehold improvements), but excluding the underlying value of the fee simple land. No loan secured only by a leasehold mortgage shall have a repayment term that is greater than the remaining term of the mortgaged lease. Prior to accepting a mortgage on a lease, the borrower shall obtain for DCD an estoppel certificate from the fee simple landowner certifying that the lease is in full force and effect and consenting to the mortgage of the leasehold interest.
- 11.5 Chattel Mortgage and Inventories.** Loans may further be secured by a chattel mortgage or a security interest on personal and/or business properties provided that such Loan amounts shall not exceed forty percent (40%) of the value of such personal and/or business properties, or of the purchase price thereof, whichever is lower, and provided that DCD receives a first lien on the chattel mortgage or security interest. Crops or agricultural products such as livestock, poultry and fish may not be used as security for any Loan due to their perishable nature.
- 11.6 Additional Security.** In addition to any one or combination of the above securities, the Board of Directors may require individual guaranties from the shareholders of a corporation, partners in an association or partnership, and an assignment of receivables and/or assignment of life or mortgage insurance from each Loan Applicant. All guarantors, endorsers or other cosigners are subject to the same credit underwriting standards as the principal Loan Applicant.
- 11.7 Appraisals.** The Board of Directors in determining the sufficiency of any real or personal property offered as security shall use the current market value of the property, and shall require a complete appraisal report for all Loans greater than \$25,000 or a letter of appraisal (*i.e.*, curbstone appraisal) for all Loans less than \$25,000, subject to the discretion of the Executive Director. All appraisals shall be by an appraiser approved and engaged by DCD. DCD shall contact the appraiser and order the appraisal; however, the cost of, and any expenses associated with, the appraisal shall be paid by and be the obligation of the Loan Applicant. The Board of Directors shall only approve and engage qualified appraisers who are U.S. educated, and who are licensed and authorized under applicable CNMI law to conduct business and to appraise commercial and residential property in the CNMI.
- 11.8 Title Insurance.** All Loans having real estate as security should have title insurance policies naming CDA as the loss payee. All title insurance and title reports submitted to CDA must

be from a CNMI licensed title insurance company. The expense of title insurance, casualty insurance and title opinions shall be paid solely by the Loan Applicant.

## CHAPTER TWELVE

### INSURANCE

- 12.1 Property & Casualty Insurance ("P&C").** All Loans having real estate improvements as security shall have the necessary insurance policies insuring the improvements against any damage due to earthquake, fire, typhoon, and any other casualty and liability up to the full insurable value of the improvements. Such insurance shall be obtained from a company on the list of insurance companies approved by DCD and licensed to do business in the CNMI.
- 12.2 Surety.** With respect to construction Loans, a Loan Applicant shall be required to produce a performance and a payment bond each covering the full value of the project, the improvements and the construction cost.
- 12.3 Life Insurance.** All fishing, farming and agricultural borrowers are required to maintain adequate life insurance in an amount equal to or greater than the outstanding balance of their Loan principal, interest and fees. This requirement of life insurance may only be waived upon a showing of three (3) declination letters from three (3) DCD approved life insurance companies. Depending on the planned use of the Loan proceeds and/or the risks involved with the business ventures, DCD may also require general commercial Loan borrowers to maintain life insurance in amounts DCD deems sufficient to adequately cover the Loan proceeds and/or risks involved. On all life insurance policies covering Loans, DCD shall be named as the first or primary beneficiary. Upon approval of a Loan application, DCD shall inform the Loan Applicant of any life insurance requirement. In the event the Loan Applicant has an existing life insurance policy, with coverage in excess of the Loan amount, the borrower may assign the benefits of the existing policy to DCD to satisfy the life insurance requirement. Unless the borrower has first obtained an acceptable waiver, no loan proceeds shall be disbursed to any borrower, until the requisite life insurance has been obtained and the first year premium has been paid in full.
- 12.4 P&C, Surety and Life Insurance Companies.** Loan Applicants shall purchase all required insurance and bonds from any one of the several companies approved by DCD. DCD shall keep a list of such approved P&C, surety and life insurance companies for easy reference and the following shall apply:
- (a) Upon approval of the Loan Applicant's insurance application by the insurance firm, initial premiums may be paid, at the time of closing of the Loan, out of the first disbursement of loan proceeds;
  - (b) Subsequent premiums shall be paid by the borrower in accordance with the insurance policies terms and conditions;
  - (c) Should a borrower fail to pay any of the subsequent premiums, DCD may pay such premium on behalf of the borrower;



(d) Should DCD pay such premium on behalf of the borrower, then the borrower's Loan shall be restructured to include the premium payment by DCD, and any related fees, in the principal amount owed. In the event a loan is restructured, the borrower shall be advised by DCD of the new monthly payment amounts.

(e) Borrowers may, at any time during the term of their Loans, select a different insurance firm, as long as the newly selected insurance firm can satisfactorily meet the insurance requirements of DCD and is on the DCD approved list of companies; and

(f) The insurance firm and the borrower are required to notify DCD, in a timely manner, when an insurance policy is in danger of expiring due to unpaid premiums; and when an insurance policy lapses due to nonpayment.

(g) Should it choose, DCD may establish an escrow account for the purpose of collecting funds for necessary insurance. Such escrow accounts are to be administered as directed by the DCD Board.

**12.5 Lapsed Coverage.** In the event any borrower fails to obtain P&C, life insurance, property insurance or any other insurance required under the Loan documents or policies, or to maintain such insurance coverage, then the borrower shall be called in to meet with the DCD Loan Manager, and the following shall apply:

(a) The Loan Manager shall inform the borrower that, unless the necessary insurance is obtained or the policy is reinstated, the Loan will be declared to be in default.

(b) Upon approval of the borrower's insurance application by the insurance firm, DCD may pay the first year premium, on behalf of the borrower, and the Loan may be restructured to reflect the new principal amount including the premium paid by DCD.

## CHAPTER THIRTEEN

### DISBURSEMENTS

**13.1 Check Signing Authority.** All checks issued by DCD shall contain two signatures, one of which shall be the Executive Director (or other official of DCD with check signing authority as approved by the Board of Directors of CDA) and the other by the Chairman (or Vice Chairman or the Chairman or Vice Chairman of the CDA Board of Directors in the absence of the Chairman or Vice Chairman). In the absence of both Chairmen and Vice Chairmen, the Board of Directors shall appoint one among its members to sign jointly with the Executive Director or other official of DCD.

**13.2 Disbursement Requirements.** No funds shall be disbursed unless the Loan application is complete and all documents have been fully reviewed and executed by all necessary parties and all fees and charges have been paid or added to the total loan amount. All disbursements are subject to the accounting procedures and policies set forth under the CDA Act and these Rules and Regulations. These disbursement requirements shall also apply to any funds guaranteed by DCD and disbursed by a private bank or lender.

- 13.3 **Retained Proceeds.** In the event an approved Loan is for a construction project and the contractor is not bonded, the standard withholding of ten percent (10%) of the project cost may be increased at the discretion of the Board of Directors. With each incremental payment, an amount equal to a minimum of ten percent (10%) of the incremental payment shall be withheld to assure that all subcontractors, materialmen and suppliers have been paid. Such withheld portion shall be released only after the project has been completed, upon finding by the Chairman, or his or her designee, that all the materialmen, subcontractors, and other suppliers have been paid.
- 13.4 **Incremental Disbursements.** Each construction increment shall be done according to plans and specifications and must be approved by the Loan Applicant or owner. Upon receipt of such approval, then such increment shall be inspected by the Executive Director, or his or her designee, to determine that the work has been performed according to the plans and specifications. Upon approval of each increment by the Executive Director, or his or her designee, funds may accordingly be disbursed, subject to the ten percent (10%) withholding set forth above.
- 13.5 **Purchase of Equipment and Materials.** In the event that disbursements involve the purchase of equipment, materials or other properties then disbursements shall be made only upon the Loan Applicant producing satisfactory receipts, purchase orders, or other types of evidences of purchase. No further disbursement shall be made without first satisfying the previous disbursements with supporting documents.
- 13.6 **Disbursement Discretion.** The Executive Director shall exercise his or her sound discretion in authorizing the release or disbursement of any approved Loan proceeds. All disbursements are to be used for approved purposes and as set forth in the Loan commitment/approval letter from DCD.

## CHAPTER FOURTEEN

### PROFESSIONALS

- 14.1 **Approved Professionals.** All professionals who seek to be paid out of proceeds from a Loan, or who provide their services in connection with the Loan approval process, including without limitation, Accountants, Architects, Attorneys, Appraisers, Contractors, Engineers, Insurers, Lenders and Surveyors, must meet certain minimum requirements of qualification before payment for their services, or reliance on their opinions will be permitted.
- 14.2 **Pre-Qualified List.** The Board of Directors may cause to be published a request for proposals from professionals, setting forth the minimum qualifications and from the responses, create a pre-qualified list. At any time, professionals may submit their qualifications and request inclusion on the list.

- 14.3 **Requirements.** When establishing minimum qualifications, the Board of Directors may require, among other things: the possession of a Commonwealth business license for at least two (2) years in advance of the request for inclusion on the pre-qualified list; professional licensing from the relevant professional society; a client list of customers from the Commonwealth who can attest to the quality of the professional's work; and other proof of the ability of the professional to perform.

## CHAPTER FIFTEEN

### FEASIBILITY STUDIES AND TECHNICAL ASSISTANCE

- 15.1 **Feasibility Studies.** The Board of Directors, with the approval of the CDA Board of Directors, may authorize the total or partial funding of economic feasibility studies on specific projects in the areas of agriculture, aquiculture, mariculture, light industries, fishing and of other economic projects. With the approval of the CDA Board of Directors, DCD may hire a consultant or retain the services of a professional firm to perform the feasibility study or authorize a prospective loan applicant to perform such a study.
- 15.2 **Results and Reports.** The results of any feasibility studies undertaken solely by DCD shall be provided without charge to interested residents of the Commonwealth, except that a reasonable fee for printing and reproduction costs may be charged.
- 15.3 **Technical Assistance.** At its option and without obligation, the Board of Directors may provide, through its staff or by retaining the services of outside experts, consultants, architects, engineers, technical or management assistance to borrowers, businesses or to assure quality construction of any project undertaken or financed by DCD.

## CHAPTER SIXTEEN

### LOAN SERVICING

- 16.1 **Tracking System.** The Executive Director shall institute a follow-up or tickler system and accounting system to assure that all the payments concerning all Loans are received in a timely fashion. Any accounting system required by law shall be followed. The system used shall include the ability to follow-up on insurance payments, principal and interest payments that are delinquent more than fifteen (15) days and production of any financial statements required pursuant to the Loan agreement.
- 16.2 **Monthly Reports.** For the first year, borrowers shall be required to submit monthly reports to show exactly how the Loan proceeds are being spent. After this initial period, all Loans shall require a least an annual or semi-annual financial report from the borrowers together with a status report on the business. For Loans in excess of \$500,000.00, the Executive Director shall require a borrower to submit annual financial statements audited by a certified

public accountant or other documentation displaying the financial condition of the borrower.

- 16.3 Loan Quality Assurance & Control.** The Executive Director and the Loan Manager shall conduct a review every quarter on all Loans. As part of that review, the file documentation must be reviewed to insure that the borrowers are providing all updated loan documents required by DCD. Each loan requirement must also be scrutinized to insure that the borrower has satisfied all terms and conditions of the Loan agreement.
- (a) The Executive Director shall supervise all lending activities and quality of Loans and shall assist the Loan Division with loan functions.
  - (b) The Executive Director shall ensure that all Loan applications and approved Loans are domiciled and serviced by the central office (Saipan) and that all such Loans approved are within the CNMI jurisdiction and that there is no deviation.
  - (c) The Executive Director and Loan Manager shall report to the Board of Directors any exceptions and or deviations revealed during the review.
  - (d) Any Loan application in excess of the Executive Director \$25,000.00 credit limit must be presented and reported to the Board or Directors for further review and final approval or disapproval.
  - (e) The Loan Manager shall develop a tickler for all required insurance policies showing the expiring policies for each Loan account. The Loan Manager shall insure that renewals are received thirty (30) days prior to policy expiration. These insurance policies must be updated. Should the borrowers be unable to update the policy, DCD has the option of purchasing the policy to protect its interest, but approval should be obtained from the Executive Director to add on any insurance costs.
  - (f) The Loan Manager must maintain an updated list of all Loans and guarantees.
  - (g) The Loan Manager must contact the borrowers ninety (90) days prior to the expiration of Loans to discuss renewal requirements.
  - (h) The Loan Manager shall insure that the handling of credit reports, insurance, documentation, filing and other administrative duties and functions of the credit division are in accordance to standard documentary procedure and lending policy.
  - (i) The Loan Manager shall prepare and submit to the Executive Director the month-end delinquent reports as well as track the recoveries of past due Loans, either performing, non-performing or Loans handled by attorneys.
  - (j) The Executive Director shall submit his/her Loan Quality Assurance & Control report to the Board of Directors for further review and disposition. This quarterly report is due on or before the tenth (10<sup>th</sup>) day following the quarter end.
- 16.4 Failure to Submit Reports.** If a borrower fails to submit a required financial or status report, the Executive Director may order an investigation or audit of the financial condition of the borrower upon five (5) days written notice to the borrower. Any failure to submit the required reports or refusal to cooperate with an investigation or audit shall be deemed and considered an event of default under the Loan.
- 16.5 Executive Director Meetings and Reports.** Borrowers shall be required to meet with the Executive Director, or his or her designee, as often as the Executive Director deems is necessary to discuss Loan problems or review business records.

## CHAPTER SEVENTEEN

### LOAN REPAYMENT

- 17.1 Term of Loan.** The repayment period or term of a Loan may not exceed thirty (30) years, exclusive of any grace period, revisions or extensions. A Loan may not be revised or extended more than five (5) times, not including any revisions or extensions made prior to the 2005 amendment of these regulations. A Loan Applicant may be granted a term of more than twelve (12) years only if the Loan is secured by a first mortgage of sufficient real property. If the Loan is secured only by a second mortgage of real property, its term may not exceed twelve (12) years inclusive of any grace period, revisions or extensions. If the Loan is secured only by a chattel mortgage, its term may not exceed three (3) years, inclusive of any grace period, revisions or extensions, except upon submission of audited financial statements and approval of an increased term by the Board of Directors. When determining the term of Loan, the Board of Directors shall consider, among other things, the repayment capability of the Loan Applicant and the useful life of the assets to be acquired with the Loan.
- 17.2 Advance Payments and Early Payoff.** There shall be no minimum repayment period requirement, prohibition, fee charge or penalty for an advance payment on or the early pay-off of a Loan.
- 17.3 No Assumption of Loan.** No assumption shall be allowed of any Loan without the prior pre-approval of the Board of Directors. Any pre-approved assumption shall be conditioned on the qualification of the party seeking to assume the Loan as an eligible Loan Applicant.
- 17.4 Death of Borrower.** Upon the death of a borrower, the entire unpaid balance of the Loan shall be immediately due and payable. First, the Loan Manager shall claim and collect any life insurance proceeds available to be applied toward the loan. If life insurance proceeds are insufficient, then the Board of Directors may allow assumption of the Loan by the heirs of the borrower if a final decree in the probate of the borrower identifies the heirs and approves distribution to them of the mortgaged property and Loan, and if the respective heirs themselves qualify as eligible Loan Applicant and execute all necessary documents. In the event the insurance proceeds are insufficient and the Loan is unable to be assumed by heirs, then DCD shall pursue foreclosure and seek to collect its Loan in court.
- 17.5 Monthly Payments.** All Loan payments shall be due and payable monthly. Monthly payments on the Loan shall be made in accordance with the executed Loan documents. Unless the Board of Directors agrees, or the Loan documents state, otherwise, timely monthly payments will first be applied against any accrued interest and then against the outstanding principal amount.
- 17.6 Past Due Payments.** Any payments toward a delinquent Loan or that are past due or not made on or before the date they are due under the executed Loan documents shall first be applied against any outstanding out-of-pocket expenses and charges associated with the

Loan including, but not limited to, legal fees, publication, insurance, court and appraisal costs, then against any accrued interest and finally against the outstanding principal amount.

- 17.7 **Late Payment Fees.** In accordance with the terms and conditions of the Loan documents, late payment fees may be charged each time a monthly payment is missed or delayed more than fifteen (15) calendar days. The amount of late payment fees shall be posted and as determined by the Board of Directors as circumstances require.
- 17.8 **Additional Required Payments.** It is a policy of DCD to continually foster economic development and, accordingly, borrowers shall be encouraged to pay-off their Loans as swiftly as they are able in order to better circulate DCD's available loan funds. It shall be an understood and agreed upon condition of each Loan, that any proceeds generated by a Loan that exceed those required to operate and preserve the business should be used to pay down or pay-off the Loan.

## CHAPTER EIGHTEEN

### LOAN REVISIONS AND REFINANCING

- 18.1 **Loan Revision.** Subject to the approval of the Board of Directors, a borrower may request and receive a loan revision. A Loan may not be revised or extended more than five (5) times, not including any revisions or extensions made prior to the 2005 amendment of these regulations.
- 18.2 **Loan Revision Fee.** As a condition of every loan revision, the borrower shall be assessed and shall pay a loan revision fee equal to one quarter ( $\frac{1}{4}$ ) of one percent (1%) of the outstanding balance of the Loan plus any applicable legal fees but not less than \$125.00. Any assessed loan revision fee must be paid before a loan can be revised and may not be included in or added to principal amount of the loan.
- 18.3 **Waiver of Interest and Late Fees.** In general, it is a recognized policy that accrued interest and late fees shall not be waived. Further, in recognition of 4 CMC § 10402(f) and the fact that CDA pays its administrative expenses, in large part, out of earned interest on its loans, only the CDA Board can authorize the waiver of interest or fees and, even then, only as part of negotiated settlements or declared emergencies as set forth in Section 18.4.
- 18.4 **State of Emergency Relief.** In the event the U.S. President declares a state of emergency for all or part of the CNMI, and in the event the declared emergency reasonably impacts some or all of the DCD borrowers, the CDA Board may waive interest and penalties for a period up to six (6) months for those borrowers who are both: (a) fully performing, current borrowers; and (b) who are affected by the declared emergency.
- 18.5 **Working With Borrowers.** Subject to very real time and resource limitations, the Loan Division shall use its best efforts to work with its delinquent borrowers to facilitate revisions

in those situations where such an option is feasible and the borrower is willing.

- 18.6 Loan Refinancing.** Subject to the approval of the Board of Directors, a borrower whose Loan is current may refinance his or her Loan to take advantage of an available and reduced interest rate or to consolidate a supplemental DCD loan with his or her DCD Loan. In every refinance situation, the borrower must first be qualified as if she was a new DCD borrower, including the presentation of sufficient security and mortgages.
- 18.7 Loan Refinancing Fee.** As a condition of every loan refinance, the borrower shall be assessed and shall pay a reasonable loan refinance fee to be set by the Board of Directors and posted in accordance with Section 8.10. Any assessed loan refinance fee must be paid before a loan can be refinanced and may not be included in or added to principal amount of the loan.

## CHAPTER NINETEEN

### LOAN COLLECTION AND FORECLOSURE

- 19.1 Monitoring.** The Executive Director and Loan Manager shall closely monitor the repayment of all Loans and shall prepare and issue reports for the Board of Directors as required by Section 16.3.
- 19.2 Fifteen Day Phone Call.** If any payment is not received by the fifteenth (15<sup>th</sup>) day after its due date, then the Loan Manager, or his or her designee, shall attempt to contact the borrower by telephone informing them of the payment default.
- 19.3 DCD Thirty Day Notice.** If any payment is not received by the thirtieth (30<sup>th</sup>) day after its due date, then the Loan Manager, or his or her designee, shall again attempt to contact the borrower by telephone or by written letter informing them of the payment default.
- 19.4 DCD Sixty Day Notice.** If any payment is not received by the sixtieth (60<sup>th</sup>) day after its due date, then the Loan Manager, or his or her designee, shall again attempt to contact the borrower by telephone or by written letter informing them of the payment default.
- 19.5 Demand Letter.** If any payment is ninety (90) days or more delinquent, the matter shall be forwarded to CDA Legal Counsel together with a delinquency update showing the amount of principal, interest and fees needed to bring the Loan current. CDA Legal Counsel shall send the borrower a letter demanding payment within thirty (30) days.
- 19.6 Notice of Default.** If the borrower fails to bring the Loan current within the thirty (30) days stated in the Demand Letter, the Loan Manager, or his or her designee, may direct CDA Legal Counsel to send the borrower a Notice of Default in accordance with the Commonwealth's Mortgage Foreclosure Act (2 CMC § 4537, *et seq.*). The Loan Manager, or his or her designee, shall provide CDA Legal Counsel with an Account Update of all

principal, interest and fees outstanding and the working file in order to facilitate the drafting of a Notice of Default. A Notice of Default must be served personally or by certified mail, return receipt requested, upon the borrower.

**19.7 Other Defaults.** If a borrower has defaulted for any reason other than the failure to make a monthly Loan payment, and notice of such default has been given to the borrower and the borrower has failed to cure said default within thirty (30) days or within the period provided for in the Loan documents, the Loan Manager, or his or her designee, may direct CDA Legal Counsel to send the borrower a Notice of Default and to commence foreclosure notwithstanding the fact that said default has not yet continued for the periods applied to defaults due to a failure to make a monthly payment.

**19.8 Deed in Lieu of Foreclosure.** In the event of default, the Loan Manager, together with the Executive Director, may propose a deed in lieu of foreclosure to the defaulted borrower. For purposes of these regulations, a deed in lieu of foreclosure shall be defined as when the defaulted borrower voluntarily agrees to exchange by way of a deed all of his or her mortgaged property for the elimination of all or a part of his debt.

Before any deed can be accepted, a current and approved appraisal must be obtained for the mortgaged property and the cost of such appraisal must be paid by the borrower. The appraised value will be used for the value of the mortgaged property. In the event an appraisal value exceeds the outstanding balance of the defaulted loan, no credit or payment shall be made by CDA to the defaulted borrower for the difference. The value assigned the mortgaged property shall be the value of the loan only.

If any debt remains (anything above the appraised value of the mortgaged property), the remaining debt shall be reduced to a new note with new terms. If the defaulted borrower provides new and acceptable security for this new note, interest rates may be reduced; otherwise the interest rate on the new loan will remain the same as the rate for the old loan.

Only CDA mortgaged properties can be used for deeds in lieu of foreclosure. No other, new or substitute property can qualify for a deed in lieu of foreclosure.

**19.9 Complaint to Foreclose.** After the Notice of default is served on the borrower, and if the borrower fails to cure the default in the time frame allowed, and in the manner directed by the Loan Manager or his or her designee, and if the deed in lieu of foreclosure option has been rejected by the borrower, then CDA Legal Counsel may be directed to file a lawsuit to collect the Loan and foreclose upon the mortgages.

**19.10 Acceleration of Loan.** Upon filing of the lawsuit, the Loan shall be accelerated and the entire principal balance plus any accrued interest shall become immediately due and payable. Prejudgment interest shall accrue on the principal at the rate established in the Loan agreement. Prior to the entry of a judgment, the borrower may have the right, as set forth by the law, to cure the default and bring the Loan current. After judgment, interest shall accrue at the rate established by law for judgments.



- 19.11 Judgment and Auction.** Upon entry of a judgment in the lawsuit, a copy of the judgment shall be served upon the borrower. If the borrower fails to pay the entire judgment amount within three (3) months from the time borrower is served the copy of the judgment, all properties mortgaged as security for the Loan shall be noticed for sale. The Board of Directors shall set the minimum bid for any auction after considering the appraisal obtained, the outstanding loan balance and all other relevant documents. All auction notices shall include the minimum bid set by the Board of Directors, and shall provide notice that the Board of Directors reserves the right: to withdraw the mortgaged property from auction before the sale or before a bid for the property is accepted; to adjourn the auction without notice at any time before the mortgaged property is struck off, without incurring any liability whatsoever thereby; and to reject any and all bids. At auction, CDA may purchase the mortgaged property.
- 19.12 Multiple Properties.** In the event of multiple real properties being noticed for sale, either the Executive Director or Loan Manager shall apportion the minimum bid for any sale of property in a manner so as to maximize the likelihood of sale and to maximize the possibility of recovery of all amounts owed DCD.
- 19.13 Certificate of Sale.** If the property is sold at an auction, CDA Legal Counsel shall prepare a Certificate of Sale and shall deliver a copy to the buyer after recording the original.
- 19.14 Deed.** After the one year redemption period, if the borrower has not redeemed the property, CDA Legal Counsel shall prepare a Deed to be executed in accordance with the Commonwealth's Mortgage Foreclosure Act and to be delivered to the buyer after filing.
- 19.15 Controlling Authority.** If any of the above procedures conflict with any applicable provision of law or any term in any of the Loan documents, then said law or contractual term shall control.
- 19.16 Loan Revisions.** A Loan being foreclosed or in financial difficulty may only be revised in accordance with Section 18.
- 19.17 Settlement.** All CDA obtained judgments are subject to settlement at the discretion of the Board of Directors, subject to the mutual agreement of the parties and a determination by the Board of Directors that such a settlement is reasonable and in the best interest of DCD and CDA.
- 19.18 Attorneys Fees.** In accordance with all executed Loan documents, a borrower shall be responsible for, and his or her account shall be charged with, all reasonable expenses and legal fees incurred by DCD in the collection, foreclosure and monitoring of his or her Loan. Any payments toward a Loan to which fees and expenses have been charged shall first be applied against those outstanding fees, expenses and other charges, then against any accrued interest and finally against the outstanding principal amount

## CHAPTER TWENTY

### FUNDS AND ACCOUNTING

- 20.1 Accounting Records and Reports.** The Executive Director shall ensure at all times that accounting records and supporting documents are maintained to insure sound internal control. DCD shall use the accrual method of accounting. Monthly financial statements with detailed loan fund status reports must be prepared in accordance with Generally Accepted Accounting Principles and Practices (GAAPP) and copies thereof shall be provided to the Board of Directors.
- 20.2 Accounting System.** A separate accounting system shall be used and maintained for the functions of DCD including its economic development loan fund activities. The accounts and statements of account of DCD shall be audited by the Public Auditor or an independent auditor approved by the Public Auditor. The fiscal year of DCD shall be identical with that of the Commonwealth Government.
- 20.3 Liquid Funds.** DCD shall maintain sufficient liquid assets to be able to meet normal operating expenses and discharge its short-term liabilities and current maturities of any long-term indebtedness. DCD funds not currently needed in liquidity shall be reinvested by the Board of Directors, to the extent permitted by law, in qualified investments which mature not later than the date on which such funds will be needed.
- 20.4 Accounts.** DCD may, as it deems necessary, open and maintain savings and checking accounts and other investment forms with banks or savings and loan associations which are reputable financial firms and members of the Federal Reserve System or the Federal Deposit Insurance Corporation (FDIC). Money received by DCD shall be deposited into such accounts.
- 20.5 Collections.** DCD shall cause to be collected and obtained: (a) from the Development Banking Division of CDA, all 702(c) Covenant funds, any appropriated or budgetary funds, and all assets of the EDLF existing prior to September 19, 1985; (b) all money to be received by or on behalf of DCD, with respect to repayment of any Loan made, including interest and other charges payable; (c) all money arising from property or investments acquired by or invested in by DCD; and (d) all other money and property due and payable to DCD. DCD shall not accept and hold deposits, but may hold evidence of deposits, or otherwise accept control of deposits, in other financial institutions.
- 20.6 Loan and Investment Amounts.** The Board of Directors shall pay out of the DCD funds: (a) approved Loan or Loan Guaranty amounts; and (b) amounts approved for investment or equity participation, and participation in any projects and/or feasibility studies or technical assistance.
- 20.7 Operation Expenses.** The Board of Directors shall pay out of funds available to DCD pursuant to 4 CMC § 10401(b)(1) and (b)(3) all expenses, costs and obligations incurred for

the administration and operation of DCD. Payment under this section shall be in conformity with the operating budget, prepared and submitted to the CDA Board of Directors. See Section 4.4.

- 20.8 Technical Assistance and Studies.** The Board of Directors shall also pay out of funds available to DCD pursuant to 4 CMC § 10401(b)(1) and (b)(3) all amounts expended or obligated for technical assistance, economic studies, project evaluations and feasibility studies. Payment under this section shall also be in conformity with the operating budget, prepared and submitted to the CDA Board of Directors. See Section 4.4.
- 20.9 Interest Tracking and Booking.** DCD shall track accrued and unpaid interest for one hundred twenty (120) days, after which such interest shall continue to accrue but shall be booked (together with the underlying Loan) as non-performing and shall be isolated from amounts/funds able to be used for payment of CDA administrative and operating expenses.

## CHAPTER TWENTY-ONE

### INVESTIGATIONS AND AUDITS

- 21.1 Investigations and Audits.** The Board of Directors or the Executive Director may instruct a representative of DCD, or may contract with a qualified firm or person, to investigate or audit the accounts of any borrower in order to ascertain:
- (a) Whether the Loan has been used for the purposes for which it was granted;
  - (b) Whether there is evidence or indication of future difficulties arising that might prevent the borrower from repaying the Loan in accordance with the Loan agreement; or
  - (c) Whether management or other assistance is needed to improve the business operation.
- 21.2 Associated Fees for Costs.** The Board of Directors may impose reasonable fees upon the borrower for performing the above services in order to recover its costs incurred.

## CHAPTER TWENTY-TWO

### CONFLICTS AND CONFIDENTIALITY

- 22.1 Conflicts of Interest.** As a mandated division of CDA, DCD follows and abides by the same conflicts of interest law and standards as CDA. The applicable conflicts of interest law and standards are set forth in 4 CMC § 10408.
- 22.2 Confidentiality.** No member of the Board of Directors or DCD employee or officer who becomes privy to any confidential information, data figures, projections, estimates, customer lists, tax records, personnel history, accounting procedures, promotions and information otherwise privileged as a result of his or her membership shall reveal such information to any person, firm, corporation, or other entity outside the course of his or her official duties;

nor shall he or she use such information for his or her own personal gain. Nothing in this section shall prevent DCD from using and disclosing such information as is necessary to administer its Loans or collect amounts outstanding from the Loan Applicant or borrower.

- 22.3 Preparation of Loan Applications.** No DCD employee, officer or member shall engage in the preparation of any Loan application; provided, however, that the Loan Department staff may assist a Loan Applicant in the preparation of a Loan application within the DCD office without compensation. If the staff assists the Loan Applicant, the Loan Applicant shall first waive any legal claims against the staff, DCD and CDA for any wrongful performance or alleged misrepresentation on the Loan application.

## CHAPTER TWENTY-THREE

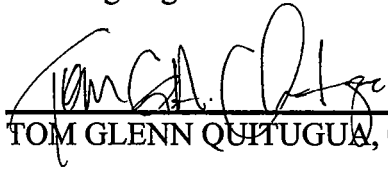
### VIOLATIONS OF RULES AND REGULATIONS

- 23.1 Known Violations.** Known violations or possible violations of any provision contained in these Rules and Regulations shall immediately be reported to the Executive Director or other person designated for that purpose. The violation or possible violation shall then be promptly reported to the Board of Directors by the Executive Director.
- 23.2 Discovered Violations.** If any DCD employee or member discovers irregularities in the use and enforcement of these Rules and Regulations, or has reasonable grounds to believe that these Rules and Regulations may have been violated, the employee or member shall report the matter to the Executive Director who shall furnish the Board of Directors with the information he or she has obtained.
- 23.3 Additional Information.** It is the responsibility of the Executive Director, together with the Chairman, to review the information submitted, and request additional information necessary to make a determination as to whether there is substantial evidence of a violation of these Rules and Regulations or whether further investigation should be undertaken.
- 23.4 Penalties.** If it is determined by the majority of the Board of Directors that an individual has violated any of the provisions of these Rules and Regulations, he or she shall be subject to the penalties provided by law, and to such additional disciplinary and other remedial action including, among others, dismissal, suspension, or reduction in job position, as is appropriate.

**CHAPTER TWENTY-FOUR**

**SIGNATURES**

**24.1 DCD Board.** Pursuant to DCD Board Resolution No. \_\_\_\_\_, the undersigned Chairman of the Development Corporation Division of the Commonwealth Development Authority hereby executes and acknowledges the recommendation and adoption by the DCD Board of the foregoing DCD Rules and Regulations, in their entirety.

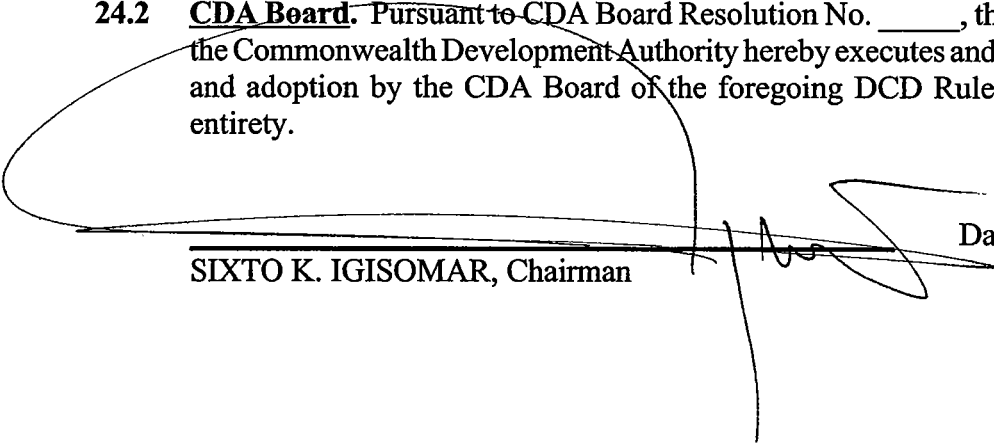


\_\_\_\_\_

TOM GLENN QUITUGUA, Chairman

Date: 5/19/05

**24.2 CDA Board.** Pursuant to CDA Board Resolution No. \_\_\_\_\_, the undersigned Chairman of the Commonwealth Development Authority hereby executes and acknowledges the approval and adoption by the CDA Board of the foregoing DCD Rules and Regulations, in their entirety.



\_\_\_\_\_

SIXTO K. IGISOMAR, Chairman

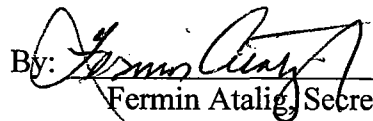
Date: 05/20/05

PUBLIC NOTICE  
PROPOSED RULES AND REGULATIONS  
OF THE DEPARTMENT OF FINANCE  
GOVERNMENT DEPOSIT SAFETY ACT

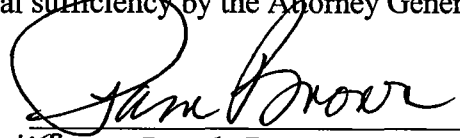
The Secretary of the Department of Finance for the Commonwealth of the Northern Mariana Islands hereby notifies the general public of the intention to adopt regulations implementing the Government Deposit Safety Act. The proposed regulations are promulgated pursuant to the authority set forth in 1 CMC Sections 7721, *et seq.* Specifically, these amendments provide that government deposits may be received and held by banks authorized to conduct business by the Commonwealth which meet satisfactory examinations. The regulations also define what constitutes "public funds" subject to the provisions of the Government Deposit Safety Act.

All interested persons may examine the proposed amended regulations and submit written comments to the Secretary of Finance, Caller Box 10007, Capitol Hill, Saipan MP 96950 or by facsimile at 664-1115 within 30 calendar days following the publication of this notice in the Commonwealth Register.

Dated this 26<sup>th</sup> day of May, 2005, at Saipan, Northern Mariana Islands.

By:   
Fermin Atalig, Secretary  
Department of Finance

Pursuant to 1 CMC Section 2153, as amended by P.L. 10-50, the proposed regulations for the Secretary of Finance, a copy of which is attached hereto, have been received and approved as to form and legal sufficiency by the Attorney General's Office.

By:   
KEB Pamela Brown  
Attorney General

5/27/05  
Date

Filed by:   
Bernadita Dela Cruz  
Commonwealth Registrar

5/31/05  
Date

Received by:   
Thomas Tebuteb  
Special Assistant for Administration

6/19/05  
Date

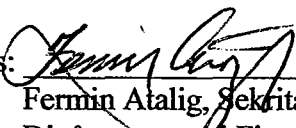
NOTISIAN PUPBLIKU

MAN MA PROPONE NA AREKLAMENTO YAN REGULASION SIHA GI  
DIPÁTTAMENTON I FINANSIÁT POT AKTON I SÁFU NA DIPOSITU GI  
GOBIETNAMENTO

I Sekretáron i Dipáttamenton i Finansiát gi Commonwealth I Sankattan Siha Na Islas Marianas ha notifiká i pupbliku henerát pot i intension para u adopta i regulasion siha ma na guaha i Akton i Sáfu na Dipositu gi Gobietnamento. I ma propone na regulasion siha man ma establese sigun i aturidát ni ma mensiona gi 1 CMC Seksiona 7712, et. seq. Espesifikámente, este na amendasion siha a probeniyi na i dinipositan i gobietnamento siña man ma risibe ya u fan ma susteni nu ayo siha na bãngku ni man inaturisa nu i Commonwealth para u ma kondukta bisnis ya ma sodda i satisfichosu na eksaminasion. Este na regulasion siha lokkue ha na kláru háfa taimano na gumuaha "Fondon Pupbliku" sigun i probesion siha gi Akton i Sáfu na Dipositu gi Gobietnamento.

Todu i man enteresao na petsona siha siña ma ina i man ma propone ni man ma amenda na regulasion siha ya u fan ma entrega i tinige' opinion siha guatto i Sekretáron i Finansiát, gi Caller Box 10007, gi Capitol Hill, giya Saipan MP 96950 pat u ma fax gi 664-1115 gi halom trenta (30) dias despues di ma pupblika este na notisia gi Rehistran i Commonwealth.

Ma fecha este mina 26<sup>th</sup> na ha'áne gi Mayo, gi 2005, giya Saipan, I Sankattan Siha Na Islas Marianas.

Ginen as:   
Fermin Atalig, Sekretáron  
Dipáttamenton i Finansiát

Sigun i lai 1 CMC Seksiona 2153, ni inamenda nu i Lai Pupbliku 10-50, i man ma propone na regulasion siha para i Sekretáron i Finansiát, i kopia siha ni man che'che'ton, esta man ma resibi yan ma aprueba pot para u fotma yan suficiente ligát ni Ofisinan i Abugao Henerát

Ginen as: \_\_\_\_\_  
Pamela Brown  
Abugao Henerát

Fecha \_\_\_\_\_

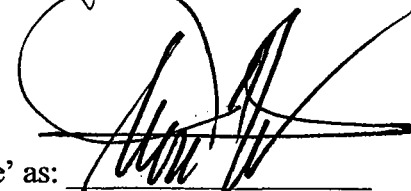
Pine'lo as:

  
Bernadita B. Dela Cruz  
Rehistradoran i Commonwealth

Fecha

5/31/05

Ma Risibe' as:

  
Thomas Tebuteb  
Espesiât Na Ayudânte  
Para i Atministrasion

Fecha

6/13/05

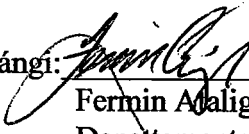


**ARONGOL TOULAP**  
**POMWOL ALLÉGH KKAAL NGÁLI DEPATTAMENTOOL FINANCE**  
**AMMWELIL GOVERNMENT DIPOSIT**

Sekkeretoriyol Depattamentool Finance mellól Commonwealth Téél falúw kka falúwasch Efáng Marianas ekke arongaar toulap reel aghiyeghil igha ebwe fillóoy allégh kkaal iye ebwe ayoorá Alléghúl ammwelil Government Deposit Safety Act. Pomwol allégh kkaal nge ebwe akkatéwow bwelle reel bwángil 1CMC Talil kka 7721, et seq. Schééschéél, lliwel kkaal nge eyooratá bwelle government deposits nge emmwel bwe rebwe bwughil me isisilong llól bwonkko kka eyoor bwángiir bwe rebwe ayoorá yaal business mellól Commonwealth iye ebwe toori satisfactory examinations. Allégh kkaal nge ebwal kke apasa bwe meeta e toolong llól “ public funds” nge ebwe mwete ngáli alléghúl Government Deposit Safety Act.

Schóókka re tepali nge emmwel rebwe amweri fischiy pomwol lliwelil alléghúl kkaal me ischilong mángemángiir reel Sekkeretoriyol Finance, Caller Box 10007, Capitol Hill, Seipél, MP 96950 me ngáre facsmile reel 664-1115 llól eliigh (30) ráálil sáangi yaal arongowow akkaté yeel mellól Commonwealth Register.

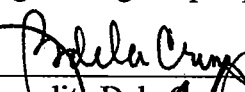
Ráálil ye 26<sup>th</sup> llól May, 2005 wóol Seipél, Téél falúwasch Marianas.

Sáangi:   
Fermin Atalig, Samwool  
Depattamentool Finance

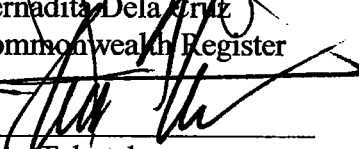
Sáangi allégh ye 1 CMC Talil 2153, iye aa lliwel mereel P.L. 10-50, pomwol allégh kkaal ngáli Samwoolul Finance, tilighial ikka e appasch nge raa takkal amweri fischiy me aléghéléghéló mereel Bwulasiyool Sów Bwungúl Allégh Lapalap.

Sáangi: \_\_\_\_\_  
Pamela Brown  
Sów Bwungúl Allégh Lapalap

Rál \_\_\_\_\_

Ammwel sáangi:   
Bernadita Dela Cruz  
Commonwealth Register

Rál 5/31/05

Mwir sáangi:   
Thomas Tebuteb  
Sów Alillisil Sów Lemelem

Rál 6/13/05

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
DEPARTMENT OF FINANCE

Proposed Regulations Implementing the Government Deposit Safety Act

Citation of Statutory Authority: The proposed amended rules and regulations for the Secretary of the Department of Finance are promulgated pursuant to 1 CMC Sec. 7725.


Statement of Goals and Objectives: The proposed amended rules and regulations are to provide standards for safeguarding the financial assets and deposits of the Commonwealth and various public entities.

Brief Summary of the Rules: The amended rules and regulations require minimum standards to be met by banks wanting to receive and hold government deposits. The regulations define what constitutes "public funds" subject to the Government Deposit Safety Act.

For Further Information: Secretary, Department of Finance, Caller Box 10007, Capitol Hill, Saipan MP 96950, telephone: 664-1100 or by facsimile at 664-1115.

Citation of Related and/or Affected Statutes, Regulations and Orders:  
1 CMC Sections 7721, et seq.

Submitted By:

  
\_\_\_\_\_  
Fermin Atalig, Secretary  
Department of Finance

  
\_\_\_\_\_  
Date

RULES AND REGULATIONS OF THE DEPARTMENT OF FINANCE  
IMPLEMENTING THE GOVERNMENT DEPOSIT SAFETY ACT

Part I. General Provisions

Section 101. Authority. These regulations are promulgated pursuant to Title 1, Sections 2557 and 7721, *et seq.*, of the Commonwealth Code.

Section 102. Purpose. These regulations are intended to provide safeguards for all Commonwealth Government bank deposits, and to establish regulations for the deposit of government funds. These regulations set forth the conditions for safeguarding the deposit of government resources with banks and establish provisions for bank secured collateral on certain deposits of public funds.

Section 103. General.

- (a) These regulations shall govern all deposits and public funds, which bear the fiscal as well as accounting entity of the Commonwealth of the Northern Mariana Islands. The entity of the Commonwealth of the Northern Mariana Islands includes the Executive Branch, the Legislative Branch, the Judicial Branch, all Commonwealth Government Corporations, and all non-profit corporations receiving Commonwealth funds including Federal Grants for public purposes.
- (b) For purposes of this regulation, "public funds" shall include any funds, revenues, deposits, or monetary assets of any Commonwealth government agency, government official in his or her official capacity, executive department, legislative agency, judicial office or agency, public autonomous or semi-autonomous entity, public corporation, nonprofit corporation receiving federal or Commonwealth funding, or any trust held for the benefit of the public or indigenous residents.

Part II. Definitions

Section 201. Definitions. The following terms as used hereafter shall mean as defined hereto unless the context requires otherwise:

- (a) "Bank" means as defined on section 102(b) P. L. 3-104.
- (b) "Collateral" means United States Treasury Bills, United States Treasury Notes, or any money in any form as obligations bearing the full faith and credit of the United States of America owned by the local bank or its Headquarters outside of the Commonwealth.
- (c) "Collateral Presentation" means:

- (1) Exhibiting or showing to the Secretary or his designee, or depositor the necessary collateral at the time of deposit or five (5) working days thereafter, or
  - (2) By presenting a letter certifying collateral sufficiency, if in the opinion of the Secretary, his designee, or depositor is satisfactory.
- (d) "Commonwealth" means the Commonwealth of the Northern Mariana Islands, or the Commonwealth Government.
  - (e) "Deposit" means money placed in a bank by depositor in the following bank accounts:
    - (1) Demand Deposit Account, Checking,
    - (2) Time Certificate of Deposit (TCD),
    - (3) Passbook Savings Account, and
    - (4) All other means of bank accounts.
  - (f) "Depositor" means an entity or agency of the Commonwealth of the Northern Mariana Islands or its authorized representative.
  - (g) "FDIC" means the Federal Deposit Insurance Corporation.
  - (h) "Market Value" for purposes of collateral means the lesser of:
    - (1) the value of the collateral offered to the general public by the issuing agency, or
    - (2) the book value of the collateral of the bank;
    - (3) at the time the deposit is made or at the time the deposits exceeds the \$100,000.00 insured amount, or as provided under Section 301(d).
  - (i) "Secretary" means the Secretary of the Department of Finance of the Commonwealth of the Northern Mariana Islands, or his designee.

### Part III. Policies

#### Section 301. Deposits.

- (a) The Secretary, his designee, or other depositor, shall not make deposits to any banking or financial institution that is incapable of obtaining and providing the necessary collateral to assure deposit security, insure and protect the deposit of public resources against loss, nor shall any deposits be made into any bank determined by the Secretary of Commerce in his role as Banking Commissioner which does not meet the minimum requirements to be eligible to receive public funds or government deposits.
- (b) The bank shall present collateral in the form as defined under Part II Definitions Section 201 (c) with a market value at least equivalent to the deposit value at the time of the deposit, or within five working days thereafter, for the total value of any deposit in excess of \$100,000.00.

- (c) The collateral shall not include assets that are identified or used as securing or collateralizing other contracts, obligations, or commercial banking activities. The collateral securing the deposits must be a pledge in which the Commonwealth deposits take priority.
- (d) Collateral is not necessary for amounts equal to or less than \$100,000.00 if the bank is a member of the FDIC.
- (e) As the amount of deposits increases or decreases the amount of the collateral shall proportionately increase or decrease. If the bank is not able to adequately provide the necessary collateral in case of increases, it shall immediately notify the Secretary, his designee, or the depositor, of such collateral deficiency:
  - (1) A separate collateral presentation for the increases shall not be necessary. However, the Secretary, his designee, or any depositor, from time to time may require the bank to make such a collateral presentation and the bank shall make collateral presentation at such time.
  - (2) Acceptance of the additional deposits by the bank is an implied agreement and representation by the bank that the deposit satisfies all the deposit requirements under this part.
  - (3) In light of the fluctuation of Demand Deposits (Checking) and Savings Account, a bank may comply with the requirement of sufficient collateral in an amount equal to the previous month's average daily balance on the current month for checking or savings account, whichever is applicable.
- (f) A bank may be permitted to secure written agreement with another bank to provide security for the deposits if the other underwriting bank:
  - (1) Pledges its collateral,
  - (2) Satisfies the necessary deposit requirements under this part, and
  - (3) Make the necessary collateral presentation when requested by the Secretary, his designee, or depositor.

Section 302. Bank Preferences.

- (a) All deposits shall be made to banks in the following order of preferences:
  - (1) The bank is located in the Commonwealth and is insured by the FDIC, and is in good standing with the Department of Commerce, in its capacity as Banking Commissioner, and is not otherwise in violation of applicable Commonwealth laws, rules or regulations,
  - (2) The bank is capable of complying with Section 301(a) to (f) of this Part as applicable,
  - (3) The bank that offers the best (highest), interest rate (investment return) for funds deposited, over the term requested,
  - (4) The bank that offers the best (lowest) interest rate to the Commonwealth residents on loans for -
    - (i) Residential Housing
    - (ii) Small Business Loans
    - (iii) Agricultural and Fishing Development loans, and

- (iv) That the type of loans identified in Section 302 a)(4) are currently, and actively being offered to Commonwealth residents.

Section 303. Access to Records. The Secretary or his designee, including the Secretary of Commerce in his role as Banking Commissioner, or his designee, shall have full access to review and obtain records of all deposits made by all depositors of public funds with any bank. The Public Auditor shall have authority to inspect, review, and obtain deposit records and to conduct its own independent examination or audit of the bank with regard to public funds and deposits.

Section 304. Responsibility of Depositor. The depositor shall report to the Secretary all bank accounts certifying to the effect that the deposit(s) is/are adequately protected pursuant to these regulations and that such requirements under this Part are satisfied and in compliance therewith. The information required with the certification shall include the:

- (i) The name of the bank,
- (ii) Account title,
- (iii) Account number,
- (iv) Amount of deposit, and
- (v) Amount and type of collateral, if applicable.

#### Part IV. Administrative Penalties

Section 401. Penalties. In addition to any criminal penalties provided under 1 CMC Section 7728 and other applicable laws, the Secretary may suspend a bank from receiving deposits of public funds in the following manner:

- (a) For the first offense, the bank may be suspended for not more than five (5) years,
- (b) For the second offense, the bank may be suspended for not more than ten (10) years, and
- (c) For the third offense, the bank may be suspended for an indefinite time.

Approved by the Secretary of Finance

  
\_\_\_\_\_  
Fernin Atalig, Secretary  
Department of Finance



# Commonwealth of the Northern Mariana Islands

Department of Public Health

*Office of the Secretary*

## PUBLIC NOTICE

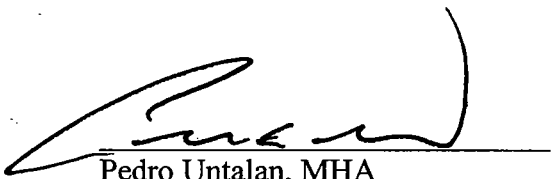
### NOTICE OF PROPOSED RULES AND REGULATIONS GOVERNING MEDICAL MALPRACTICE COVERAGE FOR PHYSICIANS PRACTICING AT DEPARTMENT OF PUBLIC HEALTH FACILITIES

The Secretary of the Department of Public Health (DPH), Commonwealth of the Northern Mariana Islands (CNMI), hereby notifies the public that DPH proposes to adopt rules and regulations governing medical malpractice liability coverage at its facilities. These rules and regulations are proposed pursuant to the authority of 1 CMC Section 2605, which authorizes the Department of Public Health to adopt rules and regulations regarding those matters over which it has jurisdiction. 1 CMC section 2603 (f) grants the Department of Public Health the power and duty to administer all government-owned health care facilities.

These rules and regulations are intended to protect the Dept. of Public Health from the expense of that may be caused by alleged physician malpractice occurring at a Dept. of Health facility. The rules and regulations require: proof of malpractice insurance in the amount of \$100,000; or, other security acceptable to the Secretary and the Attorney General for indemnification against any financial loss, costs, expenses, or damages as a result of or related to the physician providing services, of not less than \$150,000. The rule is intended to strike a balance between the need for coverage of DPH losses, while taking into account the fact that costly malpractice insurance premiums would pose a significant barrier to the private practice of medicine in the CNMI, which has a shortage of physicians to serve its people.

In accordance with 1 CMC § 9104(a), the public has the opportunity to comment on the proposed amendments. Copies of the proposed revisions are available at the Office of the Secretary of Public Health at the Commonwealth Health Center in Saipan. Written comments should be submitted to: Pete Untalan (Designee), Office of the Secretary of Public Health, Department of Public Health, P.O. Box 500409 CK, Saipan, MP 96950. Comments must be received by DPH within thirty (30) days of the date this notice is published in the Commonwealth Register.

Issued by:

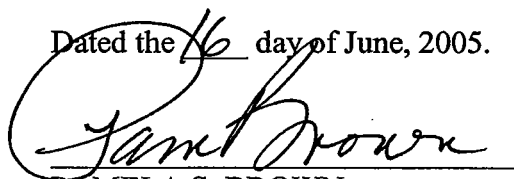


Pedro Untalan, MHA  
Designee for the Secretary of Public Health  
Department of Public Health

Date June 13, 2005

Pursuant to 1 CMC § 2153(e) (AG approval of regulations to be promulgated as to form) and 1 CMC § 9104(a)(3) (obtain AG approval) the proposed regulations attached hereto have been reviewed and approved as to form and legal sufficiency by the CNMI Attorney General and shall be published (1 CMC § 2153(f) (publication of rules and regulations)).

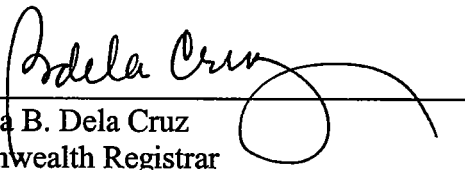
Dated the 16 day of June, 2005.



PAMELA S. BROWN,  
Attorney General

Filed by:

Date: 6-16-05



Bernadita B. Dela Cruz  
Commonwealth Registrar

Received at the Governor's Office by:

Date: 6-17-05



Thomas I. Tebuteb  
Special Assistant to the Governor for Administration



## Medical Malpractice Liability Coverage<sup>1</sup>

A. Malpractice liability coverage is a mandatory requirement for Medical Staff membership at the Commonwealth Health Center.

B. Each physician shall provide proof to the Secretary of Public Health (“the Secretary”) that he/she has met this requirement by any one of the following means:

1. Indemnification by the CNMI for its government employee staff;
2. Proof of private medical malpractice liability insurance (occurrence type) coverage of \$100,000; or,
3. Proof of other security acceptable to the Secretary and the Attorney General, in favor of the Dept. of Public Health (for indemnification against any financial loss, costs, expenses, or damages as a result of or related to the physician providing services), of not less than \$150,000. Possible alternative security vehicles may include:
  - a. surety bond;
  - b. letter of credit;
  - c. pledge of collateral;
  - d. escrow account.

C. No physician shall be granted privileges at the Commonwealth Health Center until these requirements have been completed.

D. The Secretary shall, on an ongoing basis, review compliance. Those practitioners with privileges at CHC who do not have proof in their CHC physician files of current medical malpractice coverage as defined above will have 30 days to come into compliance with this requirement. Any practitioner who fails to comply with this requirement within the 30 day time period will have his or her hospital privileges immediately suspended, and then the case shall be referred to the Medical Executive Committee for further action, including permanent termination of privileges.

E. These regulations shall not supplant or affect any separate, additional requirements imposed on physicians by the Medical Professional Licensing Board.

---

<sup>1</sup> 1 CMC Section 2605 authorizes the Department of Public Health to adopt rules and regulations regarding those matters over which it has jurisdiction. 1 CMC section 2603 (f) grants the Department of Public Health the power and duty to administer all government-owned health care facilities.

# COMMONWEALTH I SANKATTAN SIHA NA ISLAS MARIANAS

Dipåttamenton i Hinemlo' Publiku

*Ofisinin i Sekretario*

## NOTISIAN PUPBLIKU

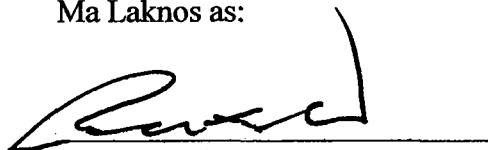
### NOTISIAN I MAN MAPROPONE NA AREKLAMENTO YAN REGULASION SIHA NI GINIBEBETNA I INSURANCE MATTRÁTAN MEDIKÁT I DOKTO SIHA NI MAN MACHO'CHO'CHU' GI FASILIDÁT I DIPÁTTAMENTON I HINEMLO' PUPBLIKU

I Sekretarion i Dipåttamenton i Hinemlo' Publiku (DPH), Commonwealth I Sankattan Siha Na Islas Marianas (CNMI), ha notifikika i publiku na i DPH ha propopone para u adopta i areklamento yan regulasion siha ni ginibebetna i Insurance i Mattrátan Medikát gi fasilidát niha siha. Este na Areklamento yan Regulasion man mapropone sigun i aturidát i lai 1 CMC Seksiona 2605, ni ha aturirisa i Dipåttamenton i Hinemlo' Publiku para hu adopta i areklamento yan regulasion siha ni tineteka este siha na asunto ni gai aturidát. I lai 1 CMC Seksiona 2603 (f) ha entrega i Dipåttamenton i Hinemlo' Publiku i pudet yan responsiblidát para u atministra todú i fasilidát i inadahan hinemlo siha i gobietnamento.

Este na areklamento yan regulasion siha man ma'intensiona para u protehi i Dipåttamenton i Hinemlo' Publiku nu i gásto anai siña kinibre ni Mattrátan Dokto siha yanggen ma susedi gi fasilidat i Dipåttamenton i Hinemlo'. I areklamento yan regulasion siha a nisisita: prebasion i insurance Mattrátan Medikát gi sien mit pesos (\$100,000); pat, otro na asiguridát ni ma akseptá ni Sekretario yan i Abugádo Henerát para u ma'apási kontra palu siha na minalingon ápas salápe yan dáñu siha komo risuttan i dokto ni a probeniya i setbisiu siha, gi menos di sientu sinkuenta mit pesos (\$150,000). I areklamento ma intensiona u balánsia i ápas i nisisidát pot para u kubre i minalingon i Dipåttamenton i Hinemlo', ta konsidedera i ápas i insurance gi Mattrátan Medikát na gof guaguan ma ofreresi i prumaktitika i setbisio gi private gi CNMI, enao mi na ti meggai dokto siha para hu ma setbe i taotaota siha.

Sigun i lai 1 CMC Seksiona 9104 (a), ha ná'i' i publiku para u fan gai' opinion pot i man mapropone na amendasion siha. Kopian i man mapropone na tinilaika man gaige gi Ofisinin i Sekretarion i Hinemlo' Publiku gi Sentron Hinemlo' Commonwealth (CHC) gi Saipan. Tinige' opinion siha debi di u ma na halom gi as: Pete Untalan (Madisigna), Ofisinin i Sekretarion i Hinemlo' Publiku, gi Dipåttamenton i Hinemlo' Publiku, P. O. Box 500409 CK, Saipan, MP 96950. Debi di u marisibe i opinion siha ni i Dipåttamenton i Hinemlo' Publiku gi hálom trenta (30) dias des di i ha'áne anai ma pupblika este na notisia gi Rehistradoran i Commonwealth.

Ma Laknos as:



Pedro Untalan, MHA  
Madesigna para i Sekretarion i Hinemlo' Pupbliku  
Ma Kubren I Gáston i Mattrátan Medikát

Fecha June 13, 2005


Sigun i lai 1 CMC Seksiona 2153 (e) (ma aprueba i regulasion siha para u ma establese pot para u fotma) yan 1 CMC Seksiona 9104 (a) (3) (ma aprueba ni Abugádo Henerát) i ma propone na regulasion siha man che'che'ton man ma ina yan aprueba pot para u fotma yan suficiente ligát ginen i Abugádo Henerát i CNMI ya debi di u ma pupblika (1 CMC Seksiona 2153 (f) (ma pupblikan i areklamento yan regulasion siha)).

Ma fecha este mina \_\_\_\_\_ na ha'áne gi Junio, 2005

\_\_\_\_\_  
PAMELA BROWN  
Abugao Henerát

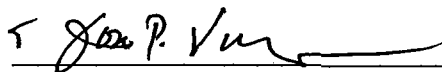
Pine'lo as:

Fecha: 6-16-05

  
\_\_\_\_\_  
Bernadita B. Dela Cruz  
Rehistradoran i Commonwealth

Ma risibe gi Ofisinan i Gobietno as:

Fecha: 6-17-05

  
\_\_\_\_\_  
Thomas I. Tebuteb  
Espesiát Na Ayudánte Para i  
Gobietno para i Atministrasion

## Ma Kubren I Gåston i Matrråtan Medikåt

A. Ma Kubren I Gåston i Matrråtan Medikåt gof prisisu na nisisidåt para i membrun i man enpleaon Medikåt gi Sentron Hinemlo' Commonwealth (CHC).

B. Kada Dokto debi di ma probeniyi prebasion i Sekretårion i Hinemlo' Pupbliku ("i Sekretårío") na ha kumple i nisisidåt i sigente siha:

1. Ma apåsi ni CNMI para i empleaon i gobietnamento;
2. Ma Kubren I Gåston Insurance i Matrråtan Medikåt (klåsen sinesedi) ni sien mit pesos (\$100,000); pat,
3. Prebasion gi palu na asiguridåt ni ma aksepta ni Sekretårío yan i Abugao Heneråt, ni fumabobo'ot i Dipåtamenton i Hinemlo' Pupbliku ( para u ma'apåsi kontra palu siha na minalingon åpas salåpe yan dåñu siha komo risuttan i dokto ni a probeniyi i setbisiu siha), gi menos di siento sinkuenta mit pesos (\$150,00). Otro siha na kuantan asiguridåt siña ha enklusu i man sigente siha:
  - a. Surety bond;
  - b. kåttan kreditu
  - c. Prinimetin testigu
  - d. Esrow account

C. Tåya dokto siña ma entrega pribilehu siha gi Sentron Hinemlo' Pupbliku estaki ma kumple este siha na nisisidåt.

D. I Sekretårío debi di, hu ina håfa i ginagagao gi diaru na tiempo. Ayu siha na dokto i man gai pribileho gi Sentron i Hinemlo' Commonwealth ya man tai prebasion gi repot gi CHC pot i prisente na ma kubren matrråtan medikåt ni ma mensiona gi sanhilo' siempre man ma nå'i' trenta dias para u ma kumple håfa ginagagao ni este na nisisidåt. Maseha håye' na dokto ni ti ha kumple i ginagagao gi halom trenta dias na tiempo siempre ma suspende i pribilehu siha ni ma entrega gue', despues ma entrega i kaosa guatto gi Eksekatibu na Komitin Medikat para mås aksion, ma utut i pribilehu siha petmanente.

E. Este siha na regulasion ti debi di u tulaika pat afekta i man seperao osino mas nisisidat siha ni para u inobliga i dokto siha ginen i Kuetpon i Malisensian Profesionåt i Medikåt.

---

I CMC Seksiona 2605 a aturisa i Dipåtamenton i Hinemlo' Pupbliku para u adopta i areklamento yan regulasion siha ni tineteka ayu siha na asunto ni man gai' aturidåt. I CMC Seksiona 2603 (f) a entrega i Dipåtamenton i Hinemlo' Pupbliku i pudet yan responsiblidat para u atministra todú i gobietnamento todú i fasilidåt i inadahen hinemlo siha i gobietnamento.

COMMONWEALTH TÉÉL FALÚW KKA EFÁNG MARIANAS

Bwulasiyool Limifischil Toulap  
Bwulasiyool Sekretariyo  
Arongol Toulap

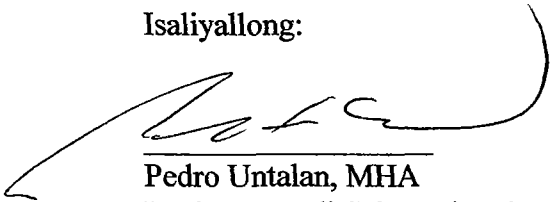
ARONGORONGOL POMWOL AMMWEL ME ALLÉGH KKA E LEMELI  
APPELÚGHÚLÚGHÚL MWÓGHUT ALLÉEW NGÁLIIR SÓW SAFEY KKA RE LO  
LLÓL BWULASIYOOL LIMIFISCHIL TOULAP

Sekretariyool Bwulasiyool Limifischil Toulap (DPH), mellól Commonwealth Téél Falúw kka Efáng Marianas (CNMI), ekke arongaar aramas toulap bwe DPH ekke pomwoli bwe ebwe fillóoy ammwel me allégh kka e lemeli appelúghúlúghúl mwóghut alléew ngáliir sów safey mellól leliyel safey kkaal. Ammwel me Allégh kka rekke pomwoli, nge e mwir sáng bwángil allégh ye 1 CMC Talil 2605, ye e mweiti ngali Bwulasiyool Limifischil Toulap bwe ebwe fillóoy allégh kkaal sángi bwángil allégh ye 1 CMC Talil 2603 (f) ye e aiti ngali Bwulasiyool Limifischil Toulap ebwe lemeli me ammwala alongal leliyel ammwelil limifisch kka faal gobenno.

Ammwel me allégh kka re aghiyághi nge bwelle ebwe ammwala Bwulasiyool Limifischil Toulap mereel méél ngáre e ghal yoor schingawal tipifféer ngáliir sów safey reel yaar fféer alléew mellól leliyel Bwulasiyool Limifischil Toulap. Iwe ammwel me allégh kkaal ebwe tingór rebwe abwáari ngáre eyoor yaar malpractice insurance ye llapal nge ebwughúw sangaras (\$100,000) dóola me ngare eew tappal aplúghúlúgh (security) ye e bwung ngáliir Sekretariyo me Sów Bwungúl Allégh Lapalap ngáli aisiisil abwós reel ammwel sángi torolóól salaapi, llapal méél me ngáre weiresil mwirilóól mwóghutul sów safey, nge essóbw ssól sángi ebwughúw limeigh sangaras (\$150,000) dóola. Ammwel yeel nge bwelle ebwe ayoora awelewel reel torolóól DPH me aghiyaghil tchowul meel malpractice insurance igha ebwe pileey private practice reel safey (medicine) mellól CNMI, iye rese ghow sów safey igha rebwe ammwala aramaseer.

Llól aweweel 1 CMC 9104 (a), nge aramas toulap eyoor bwángiir rebwe mwaliili wóól pomwol lliwel kkaal. Schéél pomwol lliwel kkaal, nge eyoor reel Bwulasiyool Sekretariyool Bwulasiyool Limifischil Toulap me Commonwealth Health Center mellól Seipél. Ischil mwaliili kkaal ebwe isisilong reel Pete Untalan (Designee), Bwulasiyool Sekretariyool Limifischil Toulap, P.O. Box 500409 C.K., Seipél, MP 96950. Alongal mwaliili ebwe toori DPH llól eliigh (30) rál sángi rállil arongol fillóól mellól Commonwealth Register.

Isaliyallong:

  
Pedro Untalan, MHA  
Designee ngali Sekretariyool  
Bwulasiyool Limifischil Toulap

Rál: 6/16/05

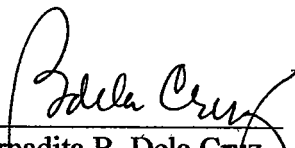
Aweweel ngáli 1 CMC 2153 (e) nge (appelúghúlúghúl AG reel allégh kkaal igha rebwe fillóoy yaar pwomoli) me 1 CMC 9104 (a) (3) (bweibwoghul yaal appelúghúlúgh AG) pomwol allégh kka e appasch nge aa bwung me appelúghúlúgh sáangi sów Bwungúl Allégh Lapalap CNMI nge ebwele akkaté (1CMC 2153 (f) (akkatééwowul ammwel me allégh kkaal).

Llól \_\_\_\_\_ rállil Alimaté, 2005.

\_\_\_\_\_  
Pamela Brown  
Sów Bwungúl Allégh Lapalap

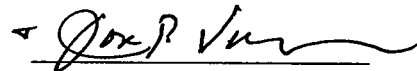
Aisiis mereel:

Rál: 6-17-05

  
\_\_\_\_\_  
Bernadita B. Dela Cruz  
Commonwealth Registrar

Mwir sangi mereel Bwulasiyool Sów Lemelem:

Rál: 6-17-05

  
\_\_\_\_\_  
Thomas A. Tebuteb  
Sów Alillisil Sów Lemelem

Pilipilil Óbwóssul Mwóghut Alléew reer Sów Safey

A. Pilipilil Óbwóssul Mwóghut Alléew reer Sów Safey reer Schóoy Ammwelil Limifisch (Medical Staff) nge e lo llól tingórol allégh (mandatorhy requirement) me Commonwealth Health Center.

B. Kkada sów safey nge ebwe abwáari ngáli Sekretoriyool Limifischil Toulap (“Sekretoriyo”) bwe ii olo/liye aa toori alongal tingór yeel sáangi milikka e táletiw:

1. Aisiisil óbwóssul mwóghut alléew (Indemnification) mereel CNMI ngáliir schóoy angaangal gobenno.

2. Abwáari appelúghúlúghúl pilipilil óbwóssul mwóghut alléew iye private (meeta tappal) llapal meel nge ebwughuw sangaras (\$100,000) dóóla; me ngáre,

3. Abwáari eew tappal appelúghúlúgh ye e bwung ngáliir sekkeretoriyo me Sów Bwungúl Allégh Lapalap iye e fil ngáli Bwulasiyool Limifischil Toulap mellól CNMI (ngáli aisiisil óbwós reel ammwel sáangi torolóól salaapi, llapal méél me ngáre weiresil mwirilóól mwóghutúl sów safey kka re ayoora alillis), nge essóbw ssól sáangi ebwughúw limeigh sangaras (\$150,000) dóóla. Akkáaw appelúghúlúgh kka emmwel ebwe toolong nge:

- a) surety bond
- b) letter of credit
- c) pledge of collateral
- d) escrow account

C. Essóor sów safey ye rebwe mweiti ngáli bwángil me Commonwealth Health Center mille yaal tingór kkal bwunguló.

D. Sekretoriyo ebwe lool me ipiiy tingór kkaal ngáre re attabweey. Schóól alillis kkewe esóor yaar schéél appelúghúlúghúl tingór kkaal llól CHC sów safey ikka e affatawow me weiláng yeel, nge eyoor eliigh (30) rál ótol ebwe ayoora tingór kkaal, ngáre rese toori, bwángiir mellól espitóód ebwe akkayúúló me rebwe afangareló reel Mwiischil Medical Executive bwe rebwe aghiyagh wóól me e pwal toolong akkayú fóscheló bwángiir.

E. Allégh kkaal nge essóbw siweliló me ngáre ataay (afektaay) akkáaw isisilongol tingór kkaal, ikka e akkaté ngáliir schóoy safey mereer Mwischiir Medical Professional Licensing.

---

Sáangi 1 CMC Talil 2605, e mweiti ngáli Bwulasiyool Limifischil Toulap ebwe fillóoy ammwel me allégh kka e fil ngáli mwóghutúl. 1 CMC Tálil 2603 (f) e mweiti ngáli Bwulasiyool Limifischil Toulap bwángil me yaal angaang igha ebwe lemeli alongal leliyel ammwelil limifisch kkaal faal gobenno.



MEDICAL PHYSICIAN'S INDEMNITY BOND  
(Specimen)

Bond No. \_\_\_\_\_  
Premium: \_\_\_\_\_  
Issue Date: \_\_\_\_\_

KNOW ALL MEN BY THESE PRESENTS:

That we, (name of medical company), as Principal, both for itself and its member(s) \_\_\_\_\_ (insert names of members of the LLC) \_\_\_\_\_, and (name of bonding company), a corporation organized under the laws of the Commonwealth of the Northern Marianas Islands and authorized to execute bonds and undertakings, as Surety, are held firmly bound unto the COMMONWEALTH HEALTH CENTER, the DEPARTMENT OF PUBLIC HEALTH, GOVERNMENT of the COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS, and their officers, employees and agents, hereinafter collectively called the Obligee, in an amount not to exceed the principal sum of \$(state amount here)) for the payment whereof well and truly to be made, said Principal and Surety bond them, themselves, their heirs, administrators, successors and assigns, jointly and severally, firmly by these presents.

WHEREAS, Obligee has agreed to authorize and provide Medical Staff Membership and Privileges of the Commonwealth Health Center or its associate facilities to Principal;

WHEREAS, a condition of such agreement addendum thereto is that the Principal shall provide Medical Malpractice Liability Insurance and in lieu of such insurance coverage, Principal has agreed to provide a good sufficient indemnity bond in the amount stated above to indemnify the Obligee against any financial loss, costs, expenses, or damages, including, but not limited to malpractice claims, or any and all damage or loss occasioned to Obligee as a resulted or related to Principal's provision of services, medical or otherwise, at Commonwealth Health Center or its associate facilities;

NOW THEREFORE, the conditions of this obligation are that the Surety shall indemnify the Obligee against failure of the Principal to faithfully defend and pay all sums of money for any and all claims, losses, costs, or injury arising out of or in relation to the provision of any services, medical or otherwise, performed at or in connection with the Commonwealth Health Center and related facilities, including but not limited to malpractice claims or damage of loss of its property;

First: That at the earliest practical moment, and in any event not later than ninety (90) days after the failure of the Principal to pay to the Obligee any sums owed pursuant to a separate indemnification agreement between Principal and Obligee for any act or acts that would cause a claim to be made under the terms of this Bond, the Obligee shall give the Surety written notice thereof, which notice shall be made to the following address:

(list address of bonding company)

And within 90 days after such failure of the Principal, the Obligee shall file with the Surety affirmative proof of loss and shall upon request of the Surety render every assistance, not pecuniary, to facilitate the investigation and adjustment of any loss.

Second: Any suit or action to recover against the Surety on account of loss hereunder shall be brought before the expiration of 24 months from demand of Obligee against the Principal for payment of such loss but shall not be instituted before the expiration of three (3) months from the filing of proof as aforesaid.

Third: This Bond may be cancelled either by the Surety or this Obligee by written notice served upon the other, or sent by registered mail specifying therein the effective date of such cancellation, provided, however, that this notice is served or sent by the Surety, such effective date shall not be less than sixty (60) days after such service or after the date born by the sender's registry receipt. Notwithstanding a termination by either party, this Bond shall remain effective for any claim, loss or liability which may arise out of or be related to the Principal's actions during the time period in which the Bond was effective plus an additional twenty-four (24) months.

Fourth: The terms of this Bond shall be from \_\_\_\_\_ day of \_\_\_\_\_, 2005 to and including the \_\_\_\_\_ day of \_\_\_\_\_ 2006

PRINCIPAL:

SURETY:

By: \_\_\_\_\_

By: \_\_\_\_\_

ACKNOWLEDGEMENTS

COMMONWEALTH OF THE )  
NORTHERN MARIANA ISLANDS ) SS.  
MUNICIPALITY OF SAIPAN )

On this \_\_\_\_\_ day of \_\_\_\_\_, 2005, before me, a Notary Public in and for the Commonwealth of the Northern Mariana Islands, Municipality of Saipan personally appeared \_\_\_\_\_ known to me to be persons whose names are subscribed as the authorized representative of \_\_\_\_\_ and \_\_\_\_\_ and acknowledged to me that they executed the foregoing instrument on behalf of said corporation for the purposes and consideration contained therein.

\_\_\_\_\_  
Notary Public

**IRREVOCABLE LETTER OF CREDIT  
(Specimen)**

To: Commonwealth of the Northern Mariana Islands  
Department of Public Health (DPH)  
Commonwealth Health Center and related facilities  
And their respective employees, assigns, and agents

REFERENCE: Name of Company or Person authorized by DPH:  
Company ID # as assigned by the DPH:  
Irrevocable Letter of Credit Number:  
Effective Date:  
Expiration Date:

Sir/Madam:

You have requested of [**Name of Lending Institution**] (the "Lender") that we establish an irrevocable letter of credit which will remain available on behalf of [**Applicant**] (the "Company") who has applied to the Department of Public Health (the "DPH") for authority to provide medical and related services at the Commonwealth Health Center and its related facilities. The purpose of this letter of credit is to secure payment of any monetary sanction, cost, liability, or expense which may be imposed against the Company, its representatives, successors or assigns, for any loss, cost, expense, damage, or liability arising out of the Company's activities or services, medical or otherwise, at or in connection with the grant of permission by DPH to the Company to provide services at the Commonwealth Health Center or any of its related facilities.

We hereby establish and issue, in favor of the DPH, an irrevocable letter of credit in the amount of \_\_\_\_\_ thousand dollars (\$ \_\_\_\_\_) lawful money of the United States of America. The DPH may draw upon this letter of credit, at any time and from time to time, by delivering a Letter of Credit Notice, substantially in the form set forth below (a "Notice"), which Notice shall specify the amount (the "Draw Amount") to be drawn and the bank account (the "Bank Account") to which the Draw Amount should be delivered and shall be signed by an official designated and duly authorized by the DPH, to Lender at the address listed below, or to such other address as the Lender shall notify the DPH in writing by certified mail. Promptly after the delivery of each Notice, the Lender hereby covenants and agrees to deliver, by wire transfer of immediately available funds, the Draw Amount to the Bank Account.

This letter of credit shall be deemed automatically renewed without amendment for successive one-year periods and may be canceled by the Lender by giving thirty (30) days advanced written notice by certified mail of such cancellation to the DPH and the Company, it being understood that the Lender shall not be relieved of liability that may have accrued under this letter of credit prior to the date of cancellation.

The Lender hereby represents and warrants that it is qualified and authorized to issue this letter of credit and is a bank regulated by the Federal Deposit Corporation of the United States.

Except as otherwise expressly stated, this letter of credit is subject to the Uniform Customs and Practice for Documentary Credit (1993 Revision) International Chamber of Commerce Publication No. 500, or any revisions thereto.

Yours Very Truly,  
[Name of Lending Institution]  
Name:  
Title:  
Address of Lender:

**APPROVAL AND INDORSEMENT**

This is to certify that I have examined the foregoing letter of credit and found the same to be sufficient and in conformity to law and that the same has been filed with the Department of Public Health, Commonwealth of the Northern Mariana Islands, this day of \_\_\_\_\_, 20\_\_\_\_.

Name:  
Title:

**FORM OF  
LETTER OF CREDIT NOTICE**

[Name of Lender]  
[Address]

Re: Irrevocable Letter of Credit No. [ ]

Dear Sir or Madam:

You are hereby notified, and the undersigned hereby certifies, that the undersigned is an official designated and duly authorized by the DPH to deliver this notice and that a monetary sanction in the amount of \$ (the "Draw Amount") has been imposed against [Applicant] its representatives, successors or assigns, arising out of or related to [Applicant] 's services or activities at the Commonwealth Health Center or its related facilities. Pursuant to that certain Irrevocable Letter of Credit referenced above, we hereby request that you deliver payment of the Draw Amount to the bank account listed below by wire transfer of immediately available funds:

Name of Bank Account:  
Account Number:

ABA Routing Number:  
Reference:  
Name of Contact:  
Telephone Number:  
Facsimile Number:

Please confirm receipt of this Notice and the Federal Reserve wire confirmation number of the delivery of the Draw Amount by sending a facsimile to the person at the number listed above.

Sincerely,

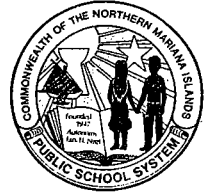
**DEPARTMENT OF PUBLIC HEALTH, CNMI**

Name:  
Title:



# COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

STATE BOARD OF EDUCATION  
PUBLIC SCHOOL SYSTEM  
P.O. BOX 501370  
SAIPAN, MP 96950



Roman C. Benavente  
Chairman

Dino M. Jones  
Vice Chairman

Marja Lee C. Taitano  
Secretary/Treasurer

Members  
Frances H. Diaz  
Herman T. Guerrero

Scott Norman  
Non Public School Representative

Ms. Aubry Manglona Hocog  
Student Representative

Ambrose Bennett  
Teacher Representative

Commissioner of Education  
Rita Hocog Inos, Ed.D

## PROPOSED AMENDMENTS TO BOARD OF EDUCATION REGULATIONS REGARDING TEACHER CERTIFICATION, COURSE REQUIREMENTS FOR PROMOTION AND GRADUATION AND REPEAL OF STANDARDS AND BENCHMARKS REGULATIONS

**Statutory Authority:** The proposed amendments and repeal of certain Board regulations are promulgated pursuant to the Board of Education's (Board) authority as provided by Article XV of the CNMI Constitution, Public Law 6-10 and the CNMI Administrative Procedures Act.

**Goals and Objectives:** The Board believes that the proposed amendments will clarify professional development requirements and establish rigorous standards for credits and courses at the secondary level to ensure quality education for our students. The repeal of the regulations regarding Standards and Benchmarks will allow the Standards and Benchmarks to be placed in the appropriate format through policies and manuals.

**Summary of Proposed Amendments:** The proposed amendments will:

1. Clarify that teachers must complete 60 hours of professional development per year to maintain their standard and professional teaching certifications as already stated in PSS's matrix for certification.
2. Establish more rigorous course and graduation requirements for students in the junior and senior high schools by setting forth specific subject area requirements and increasing credits for high school graduation.
3. Set forth specific credit requirements for class standing in high school.
4. Repeal regulations regarding Standards and Benchmarks which are incomplete and should not be set forth in regulation format. Instead, Standards and Benchmarks are more appropriately set forth in Board policy and PSS Manuals regarding Standards and Benchmarks which may be reviewed at the Board of Education Office.

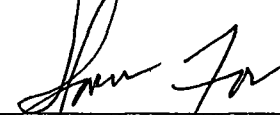
### Citation of Related and/or Affected Board Regulations:

1. PSS Regulations for Certified Personnel Chapter 2 Sections (f)(4)(C) and (f)(5)(C). CNMI Register History: Proposed 1/22/04; Adopted 3/23/04; Proposed Amend 8/26/04; Amend Adopted 10/25/04.
2. Board Regulation 2520. CNMI Register History: Proposed 6/19/01; Adopted 8/16/01.
3. Board Regulations 2525. CNMI Register History: Proposed 6/19/01; Adopted 8/16/01.
4. Board Regulations 6610, 6620, 6630 and 6640 to be repealed. CNMI Register History: Proposed 6/19/01; Adopted 8/16/01.


**Contact Person:** All interested persons may examine the proposed amendments and submit written comments, positions, or statements for or against the proposed amendments to the Chairperson, Board of Education, P.O. Box 1370 CK, Saipan, MP 96950, call 664-3727 or fax 664-3711 within thirty (30) calendar days following the date of the publication in the Commonwealth Register of these amendments.

Dated this 14<sup>th</sup> day of June 2005, at Saipan, Northern Mariana Islands.

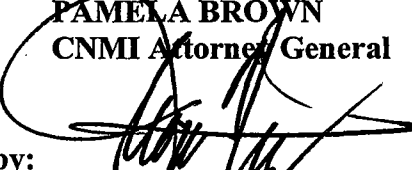
**BOARD OF EDUCATION**

By:   
**ROMAN C. BENAVENTE**  
Board of Education Chairperson


Pursuant to 1 CMC Section 2153, as amended by Public Law 10-50, the proposed Board of Education amendments and regulations, copies of which are attached hereto, have been reviewed and approved as to form and legal sufficiency by the Attorney General's Office.

Approved by:   
**PAMELA BROWN**  
CNMI Attorney General

Date: 6/20/05

Received by:   
**THOMAS TEBUTEB**  
Special Assistant for Administration

Date: 6/20/05

Filed by:   
**BERNADITA B. DELA CRUZ**  
Commonwealth Register

Date: 6/20/05

# COMMONWEALTH I SANKATTAN SIHA NA ISLAS MARIANAS

KUETPON EDUKASION I ESTADOS  
SISTEMAN EDUKASION PUPBLIKU  
P.O. BOX 501370  
SAIPAN, MP 96950

## **MAN MA PROPONE NA AMENDASION I REGULASION I KUETPON EDUKASION NI TINETEK A I SETIFIKASION I MA'ESTRA, NISISIDAT LEKSION SIHA PARA MA SUBIDA YAN MA GRADUHA, YAN DIROGAN I REGULASION I STANDARDS YAN BENCHMARKS**

**Aturidat i Lai:** I man ma propone na amendasion yan man ma diroga na regulasion i kuetpo man ma establesi sigun i aturidat i kuetpon Edukasion anai ma probeniyi ni Atikulu XV gi CNMI Constitution, Lai Pupbliku 6-10 yan i Akton Areklamento Atministrasion i CNMI.

**Finiho yan Diniseha:** I Kuetpo man hongge na i man ma propone na amendasion siempre ha na klaru i nisisidat adilantao profesionat ya u establesi areklamento para kreditu yan leksion gi mina segundo pasu para u asigura kualidat na edukasion para i estudiante-ta siha. I dirogan i regulasion ni tineteka i Standards yan Benchmarks para u fan ma polu gi minaolek na fotma sigun i areklamento yan i lepblo siha.

**Mensáhen i Man Ma Propone na Amendasion:** I man ma propone na amendasion siempre:

1. Ha klarifika na i man ma'estra siha debi di u ma kumple i sisienta (60) ora siha na adilantao profesionat kada sakkan pot para u ma susteni i areklamento yan setifikasion profesionat mamananague ni esta ma mensiona gi setifikasion PSS Matrix
2. U establesi mas nisisidat leksion para ma subida yan ma gradua na estudiante siha gi eskuelan junior yan senior high school an ma na guaha spesifiku na leksion yan mas kreditu para u fan ma gradua.
3. U ma na guaha spesifiku na nisisidat kreditu siha para presente siha na estudiante ni man gaige gi high school.
4. Ma diroga i regulasion siha ni tineteka i Standards yan Benchmarks ni ti man kabales ya ti debi di u gaige gi fotman regulasion. Infi, i Standards yan Benchmarks mas propio na u gaige gi areklamenton i Kuetpo yan i Lepblon PSS ni tineteka i Standards yan Benchmarks ni siha ma ina gi Ofisinan i Kuetpon Edukasion.

**Annok i Man Achule' yan/pat Inafekta na Regulasion Siha gi Kuetpo:**

1. Regulasion i PSS para i Man Setifika na Empleao Kapitulu 2 Seksiona (f) (4) (C) yan (f) (5) (C). Historian Rehistrasion gi CNMI: Ma Propone gi 1/22/04; Ma Adopta gi 3/23/04; Ma



Propone i Ma Amenda gi 8/26/04; Ma Propone i Ma Adopta gi 10/25/04.

2. Regulasion i Kuetpo 2520. Historian Rehistrasion gi CNMI. Ma Propone gi 6/19/01; Ma Adopta gi 8/16/01.

3. Regulasion i Kuetpo 2525. Historian Rehistrasion gi CNMI: Ma Propone gi 6/19/01; Ma Adopta gi 8/16/01.

4. Regulasion i Kuetpo 6610, 6620, 6630 yan 6640 para ma diroga. Historian Rehistrasion gi CNMI: Ma Propne gi 6/10/01; Ma Adopta gi 8/16/01

**Petsona Para u Ma Âgang:** Todu i man enteresao na petsona siña ma ina i man ma propone na amendasion ya ma entrega hâlom tinige' opinion siha, pusision, osino mensâhe siha i komontra i man ma propone na amendasion guatto i Kabiseyon i Kuetpon i Edukasion, gi P.O Box 1370 CK, Saipan MP 96950 osino âgang i numirun tilifon 664-3727 osino fax gi numirun 664-3711 gi hâlom trenta (30) dias tinatitiyi ni ha'ânen i ma publika gi Rehistradoran i Commonwealth pot este na amendasion.

Ma fecha este mina 17<sup>th</sup> na dia gi June 2005, giya Saipan, Sankattan Siha Na Islas Marianas

**KUETPON I EDUKASION**

Ginen as:

  
**ROMAN C. BENAVENTE**  
Kabiseyon i Kuetpon i Edukasion

## NOTISIAN PUBLIKU

### **MAN MA PROPONE NA AMENDASION I REGULASION I KUETPON EDUKASION NI TINETEKKA I SETIFIKASION I MA'ESTRA, NISISIDÁT LEKSION SIHA PARA MA SUBIDA YAN MA GRADUHA, YAN DIROGAN I REGULASION I STANDARDS YAN BENCHMARKS**

I Kuetpon i Edukasion para i Commonwealth I Sankattan Siha Na Islas Marianas ha notifikika i publiku henerát pot i intension-niha para u ma amenda i presente na regulasion siha yan diroga i regulasion siha ni tineteka i man ma mensiona gi sanhilo' Komo esta ma establesi, este na regulasion siha siempre ha amenda i Regulasion i Kuetpon i Edukasion 2520 yan 2525 yan i Regulasion Sistemán Eskuelan Públiku (PSS) Para i Man Setifika na Empleao, Kapítulu 2 Seksiona (f) (4) (C) yan (f) (5) (C). I Regulasion siha 6610,6620, 6630 yan 6640 ni tineteka i Standards yan Benchmarks i PSS siempre ma diroga. I ma tulaika na Standards yan Benchmarks ti man propio gi fotman regulasion ya man gaige para u fan ma ina gi Ofisinan i Kuetpon i Edukasion gi Retirement Building, gi Capitol Hill. I man ma amenda na regulasion siha yan i tinilaika ma nota gi man che'che'ton. Este siha na tinilaika gi regulasion i PSS man ma establesi sigun i aturidát ni ma probeniyi ni Atikulu XV gi Constitution i CNMI yan Lai Públiku 6-10.

Todi i man enteresao na petsona siña ma ina i ma tulaika na Standards yan Benchmarks gi Ofisinan i Kuetpon i Edukasion yan i man ma propone na amendasion ni man che'che'ton u fan ma entrega hálom tinige' opinion siha, pusion siha, osino mensáhe siha i komokontra i man ma propone na amendasion guatto i Kabiseyon i Kuetpon i Edukasion, gi P.O Box 1370 CK, Saipan MP 96950 osino ágang i numirun tilifon 664-3727 osino fax gi numirun 664-3711 gi hálom trenta (30) dias tinatitiyi ni ha'ánen i ma publiká gi Rehistradoran i Commonwealth pot este na amendasion.

Ma fecha este mina 17<sup>th</sup> na dia gi June 2005, giya Saipan,  
Sankattan Siha Na Islas Marianas

#### **KUETPON I EDUKASION**

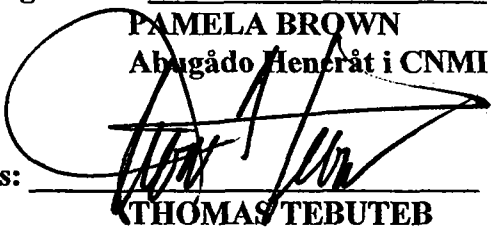
Ginen as:

  
**ROMAN C. BENAVENTE**  
Kabiseton i Kuetpon i Edukasion

Sigun i Lai 1 CMC Seksiona 2153, ni inamenda ginen i Lai Pupbliku 10-50, i mapropone na regulasion yan amendasion ni Kuetpon i Edukasion i kopia siha ni man ch'che'ton este na momento, esta man maribisa yan aprueba pot para u fotma yan ligat sufisiente ginen i Ofisinan i Abugado Henerat.

Ma'aprueba ginen as: \_\_\_\_\_

**PAMELA BROWN**  
Abugado Henerat i CNMI



Fecha: \_\_\_\_\_

Marisibe' as: \_\_\_\_\_

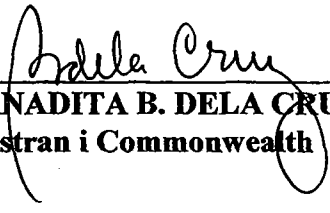
**THOMAS TEBUTEB**

**Espesiãt Na Ayudante Para I Atministrasion**

Fecha: 6/20/05

Pine'lo as: \_\_\_\_\_

**BERNADITA B. DELA CRUZ**  
Rehistran i Commonwealth



Fecha: 6/20/05

**Student Academic Achievement**

**Promotion and Retention**

**(a) Promotion**

A student will be promoted to the next grade level when he/she satisfactorily completes the instructional curriculum in a particular grade. Satisfactory completion shall mean:

**Elementary School**

An elementary school student shall be promoted when he/she meets the minimum requirements as established by the Commonwealth standards and benchmarks as outlined in the policies and regulations regarding instruction and curriculum.

**Secondary School**

The promotion of a secondary school student will be determined based on the successful completion of the designated number of credits required to advance from grade to grade. The designated number of credits will be established at the start of the school year.

***Class Standing for students in grades 9 through 12 shall be:***

***Freshman: 0 to 7 credits***

***Sophomore: 8 to 14. credits***

***Junior: 15 to 21 credits***

***Senior: 22-up credits***

**Special Education Students**

The IEP team shall determine the promotion of special education students.

**(b) Retention**

1. Any student not satisfying the above requirements shall be retained with two exceptions:

1. The Commissioner may waive the promotion requirements based on extenuating circumstances such as illness or other unavoidable circumstances.

2. For students who have been retained at any time during their experience in the CNMI public school system, a child study team shall review the performance of the student to determine the appropriate placement.

2. When reviewing the retention of a student for the second time, the Child Study Team shall consider the following factors:

- Academic achievement in all subject areas, especially attainment of grade level objectives, as determined by tests, teacher assignment, and work samples.
- Chronological age.
- Study Habits.
- Attendance.
- Social and emotional maturity.

During the school year following any retention of a student, a Child Study Team shall meet no less than two times to review the performance and progress of the student.

**(c) Notification**

As soon as possible after it is determined that a student is not going to satisfactorily complete the instructional curriculum for that semester, the teacher and counselor shall notify the principal. The principal shall notify the parent/guardian and a meeting will be scheduled. The parent/guardian will be informed that the student is not meeting grade level expectations and will be referred to the child study team to determine the appropriate interventions.

**(d) Out of Grade Promotion**

The principal in consultation with a teacher and counselor shall consider out of grade promotions only after the completion of the first semester of a school year. Out of grade promotions will be based on the following criteria:

1. A student must maintain between a 3.7 to a 4.0 GPA for the first semester of the year;
2. A student must take a U.S. standardized aptitude, achievement or subject area test and score in the 90<sup>th</sup> percentile of U.S. Norm or Local Norm whichever is applicable; and
3. The teacher(s) from whom the student receives at least fifty percent of direct instruction shall recommend in writing an out of grade level promotion to the Principal. The recommendation shall include a student observation report, periodic student class tests, initial language placement test results, and such other documents as requested by the Principal.

**STUDENTS**

**Regulation 2525**

**Student Academic Achievement**

**Promotion and Graduation Requirements**

**(a) Promotion Requirements for Junior High School or Middle Grade Level**

A minimum of eleven (11) credits will be required for a student to be promoted to high school. Subject areas are as follows\*:

Language Arts	2
<i><u>Integrated Literature/Reading/Speaking &amp; Listening 7<sup>th</sup></u></i>	
<i><u>Integrated Writing and Grammar 7<sup>th</sup></u></i>	
<i><u>Integrated Literature/Reading/Speaking &amp; Listening 8<sup>th</sup></u></i>	
<i><u>Integrated Writing and Grammar 8<sup>th</sup></u></i>	
Mathematics	2
<i><u>Pre-Algebra, Algebra</u></i>	
Social Studies	2
<i><u>Geography .5 and History .5 at grade 7</u></i>	
<i><u>Civics .5 and Economics .5 at grade 8</u></i>	
Science	2
<i><u>Integrated Science: Life, Earth, and Physical Science (A)</u></i>	
<i><u>Integrated Science: Life, Earth, and Physical Science (B)</u></i>	
**Physical Education	1
Vocational Education	.5
Chamorro and/or Carolinian	.5
Music/Art	.5
Computer Literacy	.5
<b>TOTAL</b>	<b>11</b>

*\* The amendments to this regulation shall be effective for students entering seventh grade school year 2005-2006.*

*\*\* 0.5 credits of the Physical Education credits must include a health course.*

**(b) Graduation Requirements for High School Level**

A minimum of ~~twenty-one (21)~~ twenty-eight (28) credits will be required for graduation from the 12<sup>th</sup> grade. Required subjects constitute ~~sixteen (16)~~ twenty-three (23) credits and are as follows: \*

English	4	—	8 credits
<u>Integrated Literature and Composition 9<sup>th</sup> grade</u>			2
<u>Integrated Literature and Composition 10<sup>th</sup> grade</u>			<u>2</u> 1
<u>Technical Research/Business Writing 11<sup>th</sup> grade</u>			<u>2</u> 1
<u>American Literature 11<sup>th</sup> grade</u>			1
<u>British Literature 12<sup>th</sup> grade</u>			1
Mathematics			<u>6</u> 3
<u>Algebra I, Geometry, Algebra II</u>			
Social Studies			3+
<u>NMI History US History and US Government/Economics</u>			
Science			3*
<u>Environmental Science, Biology, Chemistry</u>			
Physical Education			2**
Language other than English			1
<b>TOTAL</b>	<b>16</b>		<b><u>23</u></b>

\* The amendments to this regulation shall be effective for students entering ninth grade school year 2005-2006. +1 credit of CNMI History is required. 1 credit of U.S. History will be required starting with the 2003 graduates. 1 credit of Agriculture may be substituted for 1 credit of Science.

\*\* 1 credit of JROTC may be substituted for 1 credit of Physical Education. 0.5 credits of the Physical Education credits must include a health course.

**PROPOSED AMENDMENT TO REGULATIONS  
FOR THE PUBLIC SCHOOL SYSTEM  
EMPLOYMENT OF CERTIFIED PERSONNEL  
CHAPTER 2 - CERTIFICATION**

**SECTION (f)(4)(C)**

**Term:** Teachers, librarians, school counselors, and related service providers may renew the Standard Certificate with Endorsement every five years with submittal of the eligibility requirements. In addition, there must be proof of completion of 60 hours *per year* of seminars, workshops, or in-service training as sanctioned by PSS and/or equivalent university/college courses.

**SECTION (f)(5)(C)**

**Term:** Teachers, librarians, school counselors, and related service providers may renew the Professional Certificate every ten years with submittal of the eligibility requirements. School administrators may renew the Professional Certificate every four years with submittal of the eligibility requirements. In addition, all qualified applicants must provide proof of completion of 60 hours (120 hours for administrators) *per year* of seminars, workshops, or in-service training as sanctioned by PSS and/or equivalent university/college courses.





Commonwealth of the Northern Mariana Islands  
**Board of Parole**


P.O. BOX 502641  
SAIPAN, MP 96950-2641  
TEL. NOS.: (670) 664-3300 - 3304 • FAX: (670) 664-3310  
e-mail: govbop@vzpacifica.net



**NOTICE AND CERTIFICATE OF ADOPTION OF REGULATIONS OF THE  
CNMI BOARD OF PAROLE**

I, Michael H. San Nicolas, Chairman of the CNMI Board of Parole, which is adopting the Rules and Regulations proposed on March 17, 2005 and published in the Commonwealth Register Vol. 27 No. 03 at pages 024103 through and including 024108 by signature below hereby certify that as published such Regulations are a true, completed and correct copy of the Regulations regarding previously proposed by the Board of Parole which, after expiration of the appropriate time for public comment, have been adopted without modification. I further request and direct that this Notice and Certification be published in the CNMI Commonwealth Register.

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on the 26<sup>th</sup> day of May 2005 at Saipan, Commonwealth of the Northern Mariana Islands.

  
\_\_\_\_\_  
Michael H. San Nicolas, Chairperson  
CNMI Board of Parole



**BOARD OF PROFESSIONAL LICENSING**  
**Commonwealth of the Northern Mariana Islands**  
P.O. Box 2078  
Saipan, MP 96950  
Tel. No.: (670) 234-5897  
Fax No.: (670) 234-6040

**NOTICE AND CERTIFICATION OF ADOPTION  
OF AMENDED RULES AND REGULATIONS FOR  
REAL PROPERTY APPRAISERS**

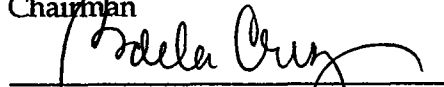
I, Francisco Q. Guerrero, Chairman of the Board of Professional Licensing which is promulgating the Rules and Regulations for Real Property Appraisers published in the Commonwealth Register Volume 27, No. 02 on February 17, 2005 at pages 023926 to 023966, by signature below hereby certify that as published such Rules are a true, complete and correct copy of the Rules and Regulations for Real Property Appraisers previously proposed by the Board of Professional Licensing which, after the expiration of appropriate time for public comment have been adopted with no changes.

By signature below, I hereby certify that the proposed Rules & Regulations for Real Property Appraisers as herein amended are the true, correct and complete Amended Rules and Regulations for Real Property Appraisers adopted by the Board of Professional Licensing. I further request and direct that this Notice and Certificate of Adoption be published in the CNMI Commonwealth Register.

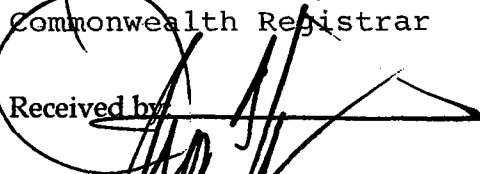
I declare under penalty of Perjury that the foregoing is true and correct and this declaration was executed on this 6th day of June, 2005, at Saipan, Commonwealth of the Northern Mariana Islands.



Francisco Q. Guerrero  
Chairman

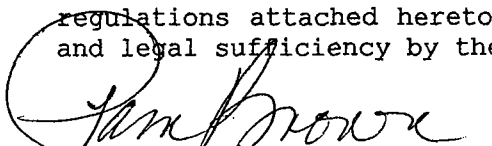
  
Bernadita B. Dela Cruz  
Commonwealth Registrar

6-9-05  
Date \_\_\_\_\_ Time \_\_\_\_\_

Received by   
Thomas J. Tebuteb, SAA

6/12/05  
Date \_\_\_\_\_ Time \_\_\_\_\_

Pursuant to 1 CMC §2153, as amended by P.L. 10-50, the rules and regulations attached hereto have been reviewed and approved as to form and legal sufficiency by the CNMI Attorney General's Office.

  
Pamela Brown, Attorney General

6/14/05  
Date \_\_\_\_\_

**KUETPON I MAN MALISENSIAN PROFESIONÁT  
Commonwealth I Sankattan Siha Na Islas Marianas**

P.O. Box 2078

Saipan, MP 96950

Tilifon Numiru: (670) 234-5897

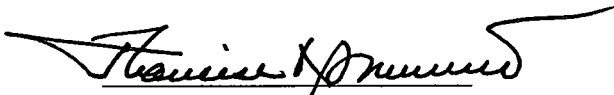
Fax Numiru: (670) 234-6040

**NOTISIA YAN SETIFIKASION I MAN MA'ADOPTA NI MAN MA'AMENDA NA  
AREKLAMENTO YAN REGULASION SIHA PARA MAN KATKULAN PRESIUN TĀNO'**

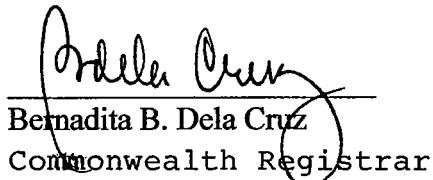
Guahu, as Francisco Q. Guerrero, Kabiseyon i Kuetpon i Malisensian Profesionát, ni mu establelesi i areklamento yan regulasion siha para i Man Katkulan Presiun Tāno' ni ma'pubblisa gi Rehistran i Commonwealth Volume 27, Numiru 02, gi Febreru 17, 2005 gi páhinan 023926 esta 023966, ginen i fitmá-ku gi sanpapa a setifika na anai ma'pubblisa i areklamento man magáhet, kabáles yan dinanche na kopia Para i Man Katkulan Presiun Tāno' ni man mapropone gi halacha ni Kuetpon i Malisensian Profesionát ni, despues di uttimon i propiu na tiempo para i opinion pupbliku man ma adopta sin tinilaika.

Ginen i fitmá-ku gi sanpapa, hu setifika na i man mapropone na areklameto yan regulasion siha para i Man Katkulan Presiun Tāno' ni man che'che'ton man ma'amenda na man magahet, kabales yan dinanche anai ma'adopta ni Kuetpon i Malisensian Profesionát, Di mas hu rikuekuesta yan diririhe este na Notisia yan Setifikasion ni Man Ma'adopta hu ma'pubblisa gi Rehistran i Commonwealth i CNMI.

Hu diklara papa i chatmanhula na i mamensiona man magahet yan dinanche ya malaknos-este na deklarasion gi este 6th, Lunes na ha'ane gi Junio, 2005, giya Saipan, I Commonwealth I Sankattan Siha Na Islas Marianas.



Francisco Q. Guerrero  
Kabiseyo

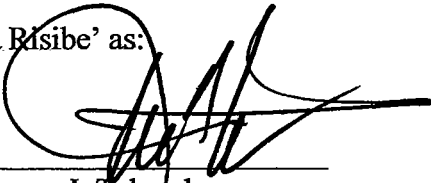


Bernadita B. Dela Cruz  
Commonwealth Registrar

6-9-05  
Fecha

\_\_\_\_\_  
Ora

Ma Rísibe' as:



Thomas I. Tebuteb

6/17/05

Fecha

Ora

Sigun i lai 1 CMC Seksiona 2153, ni inamenda nu i Lai Publiku 10-50, i areklamento yan regulasion siha ni man che'che'ton esta man ma'ina yan ma'aprueba pot para u fotma yan suficiente ligat ginen i Ofisinan i Abugao Henerat i CNMI

Pamela Brown, AbugaoHenerat

Fecha

**ARONG ME ALÚGHÚLÚGHÚL FILLÓ YEEL REEL LLIWELIL ALLÉGH KKAAL NGÁLI MÉÉL FALÚW**

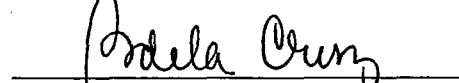
Ngaang, Francisco Q. Guerrero, Samwoolul akkatéél Professional Licensing iye ekke atééw Alléghúl me Ammwelil méél falúw igha e fféerló llól Commonwealth Register Volume 27, No. 02 ótol Mááischigh 17, 2005 reel peigh kka 023926 ngáli 023966, sáangi yááy alúghúlúgh iye elo faal, i appelúghúlúghúló bwe allégh kka aa akkatééwow nge e welewel, aa takk tiliighial allégh ngáli méél falúw ikka raa fasúl pomwoli sáangi Mwiischil Professional Licensing igha schagh aa takkaló yaar toulap aghiyeghiy filló yeel nge ese yoor ssiwel.

Sáangi makkel iit kka faal, ekke appelúghúlúghúw bwe pomwol Allégh kkaal ngáli méél falúw iye e welewel, ffat Alléghúl Méél falúw kkaal igha mwiischil Professiona Licensing aa fillóoy. I tittingór me afalafal bwe Arong yeel me alúghúlúghúl ebwele filló mellol Commonwealth Register.

I akkapaló faal penalty of perjury bwe meeta kka e toowow nge e welewel me ffat meigha appelúghúlúghúl aa fféerló wóol 6<sup>th</sup> llól Junio, 2005 wóol Seipél, Commonwealth Northern Marianas.



Francisco Q. Guerrero  
Samwool

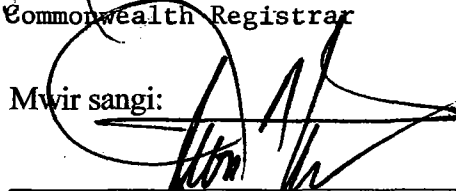


Bernadita B. Dela Cruz  
Commonwealth Registrar

6/9/05  
Rál

Ótol

Mwir sangi:



Thomas I. Tebuteb, SAA

6/12/05  
Rál

Ótol

Sáangi allégh ye 1 CMC iye aa lliwel mereel Alléghúl Toulap 10-50, allégh kka e appasch nge raa takkal amweri fischiy me aléghéléghéló mereel CNMI Bwulasiyool Sów Bwungúl Allégh Lapalap

\_\_\_\_\_  
Pamela Brown, Sów Bwungúl Allégh Lapalap

\_\_\_\_\_  
Rál

## MEMORANDUM

ATTORNEY GENERAL OPINION NO. 05-08

**To:** Lt. Governor  
**From:** Attorney General  
**Date:** May 24, 2005  
**Re:** Ownership of Outer Cove Marina

---

The Commonwealth, through the Secretary of the Department of Lands and Natural Resources entered into a lease agreement with the Marine Revitalization Corporation for the use of submerged lands, which belonged to the Commonwealth, to develop what has become known as Outer Cove Marina. At the time of the lease the control of the submerged lands in question belonged to the Department of Lands and Natural Resources pursuant to 2 CMC § 1201 et. seq. known as the Submerged Lands Act. Control of the Commonwealth's submerged lands was transferred to the Board of Public Lands pursuant to PL 12-33 section 102.

A dispute between MRC and the CNMI arose over the interpretation of the terms of the lease. An arbitration began in January of 2002 that lasted three days before being suspended, and was finally completed in October 2004. The decision of the arbitration panel was that the CNMI had indeed violated the terms of the lease. The panel in addition to a monetary damages award rescinded the lease. The effect of the order rescinding the lease was to return the submerged lands and all the improvements placed on the submerged lands back to the control of the Commonwealth of the Northern Mariana Islands, the owners of the land. With the passage of PL 12-33, which placed the management and control of the Commonwealth's submerged lands in the hands of the MPLA Board, the control over the submerged lands known as Outer Cove Marina passed to MPLA.

If the desire is to have DLNR control and manage the Outer Cove Marina, rather than MPLA there are several methods available to accomplish this. The first, and most cumbersome method is to attempt to amend PL 12-33 to specifically exclude the Outer Cove Marina submerged land from the other submerged land MPLA is directed to manage. The next method available is for the Governor to issue an Executive Order modifying the duties of MPLA by removing all submerged lands with Marinas currently constructed on them from the land MPLA manages and transferring the management authority over these lands to DLNR. Issuing an executive order will require 60 days from the issuance of the order before it will become effective, if there is no adverse action taken by both houses of the legislature. The third

Lt. Governor  
Page 2 of 2  
May 24, 2005  
Re: Ownership of Outer Cove Marina

method available is to have the MPLA Board of Directors voluntarily transfer the submerged lands containing the Outer Cover Marina to DLNR with the authority to manage the land in the public interest. The extent of the interest in the land MPLA transfers to DLNR can be subject to negotiations.




PAMELA BROWN

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS  
2ND FLOOR HON. JUAN. A. SABLAN MEMORIAL BLDG., CAPITOL HILL  
CALLER BOX 10007, SAIPAN, MP 96950  
TELEPHONE: (670) 664-2341  
TELECOPIER: (670) 664-2349

OFFICE OF THE ATTORNEY GENERAL  
CIVIL DIVISION

## MEMORANDUM

**To:** All Department and Activity Heads  
**From:** Pam Brown, Attorney General   
**Date:** May 20, 2005  
**Re:** *Distribution of Commonwealth Register*

---

The Commonwealth Register will no longer be distributed in hardcopy form to Commonwealth entities unless the entity pays for a subscription. The Commonwealth Register will only be distributed to customers who have paid for a subscription. Government entities may still obtain a copy of the Commonwealth Register by downloading it for free from our website ([www.cnmiago.gov.mp](http://www.cnmiago.gov.mp)). We believe that this change will result in significant savings for the Commonwealth and our office.

If you have any questions regarding how to download the Commonwealth Register from our website, you may contact Bernie Dela Cruz at 664-2341. We appreciate your cooperation.